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Jan Timmer's next task After the cost-cutting. it's time for growth The future of Philips, Page 12



The PRI heads for victory yet again



Prurience or the pursuit of truth? Trends in biography, Page 11

FINANCIAL TIMES

MONDAY AUGUST 15 1994

Berlusconi and Bossi make show of coalition unity

Europe's Business Newspaper

Italian prime minister Silvio Berlusconi and the Northern League's Umberto Bossi, partners in the country's ruling coalition, made a concerted effort over the weekend to show they had patched up their differences.

The two held a secret summit to thrash out a pact, although some Italian observers seemed sceptical about whether it would hold. Fears of a split in the coalition have contributed to tension on Italian financial markets in the last fortnight. Page 14

Probe into satellite TV company: Britain's Office of Fair Trading is conducting preliminary inquiries into satellite TV company BSkyB's position in the UK satellite and cable television market. Page 15; Cable network may hand government a £1bn windfall, Page 6

World Cup profits roll in: International businesses from airlines and hoteliers to television manufacturers and brewers have begun to disclose the scale of profits they made from this summer's football World Cup. Page 14

Reed Elsevier, Anglo-Dutch information and publishing group, is today expected to announce details of a compensation package for Peter Davis, who resigned as chairman in June over changes in management responsibilities. Page 16

Israel in Palestine customs deal: Israel and the Palestinians agreed customs and indirect tax measures and said they were close to an accord on the next phase of their peace process - transfer of administrative powers from Israeli to Palestinian hands in the occupied West Bank. Page 4

Derivatives 'a risk': Just over half of finance directors at the UK's top companies regard deriva-tives as a possible risk to financial systems while 16 per cent see them as a definite risk, according to a survey. However most believe that derivatives play an important, even essential, role in the management of risk. Page 15; Cure for angst, Page 12

Emap, UK media group, is buying three of the best known UK golf magazine titles for £11.25m (\$17.3m) from The New York Times. Page 16

Train crash kills 24: At least 24 people were killed and 16 injured on Saturday when a passenger train slammed into a stationary freight train just outside the Georgian capital of Thilisi after a signal-ling error, the health ministry said yesterday.

European Monetary System: The EMS grid had a fairly turbulent week, prompted by higher interest rates from two countries outside the grid, Sweden and Italy. The result was a large increase in the position of the strongest currency against the weakest, generalised D-Mark strength, and the Irish punt being displaced at the top of the grid by the Dutch guilder. The D-Mark also climbed above the Belgian franc. Currencies, Page 27



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Section 18



August 12, 1994

The chart shows the member currencies of the exchange rate mechanism measured against the menkest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the quilder which move in a 2.25 per cent band.

International Business Machines has backed away from plans for heavy promotion of PowerPC microprocessor technology, developed with Apple Computer and Motorola, as a replacement for the Intel chips that dominate the personal computer industry. Page 17

Baby Bells to fight bill: US local telephone companies still plan a fight over some portions of the telecommunications bill now making its way towards the Senate floor, even though they accepted a compromise on some of the conditions it would place on their entry into the long distance telephone market. Page 4

Tokyo minister forced out: A Japanese cabinet minister was forced to resign after complaints from South Korea and China over his comments that Japan did not intend to fight a war of aggression in the 1930s and 1940s. Shin Sakurai, director general of the Environment Agency, suggested that occupation had benefited parts of Asia. Page 3

Charter, UK industrial group, will today announce whether it is willing to pay more for Esab, the world's largest welding equipment supplier, than the £260m (\$402m) recommended bid rejected by a key group of the Swedish company's institutional shareholders. Page 17

Spy trials to start: The trial of five members of Albania's ethnic Greek minority on charges of treason, espionage and illegal possession of weapons, opens today in Tirane following several weeks of angry diplomatic exchanges between the two neigh-

bouring governments. Page 2 Win for Schumacher: Formula One championship leader Michael Schumacher of Germany recorded his seventh victory of the motor racing season when he won the Hungarian grand prix in a Benetton. Greens save trees at expense of turbos, Page 14

Clinton fights to rescue crime bill

By George Graham in Washington

President's reform agenda hangs on fate of key legislation President Bill Clinton fought back yesterday to rescue his crime bill, a key component of his domestic agenda that was blocked by the House of Repreagenda can survive.

shattering defeat of his 18-monthold presidency.
White House officials believe they can salvage victory from defeat by launching a concerted attack on opponents of a measure

which is generally popular, Mr Clinton has signalled how much rides on the fate of the crime bill by focusing on the issue almost exclusively since last Thursday's vote. The fate of the crime bill and the president's

healthcare reform programme is widely seen as a defining test of whether Mr Clinton's domestic

sentatives last week in the most It would not be the first time that the Clinton team has recovered quickly from apparent defeats. The president pulled off narrow victories on issues such as the budget and the North American Free Trade Agreement after last-minute campaigns of

personal lobbying.
However, some administration officials are worried that they are having to switch all their resources to pass the crime bill at a moment when Mr Clinton's biggest objective, healthcare reform, is stalled in both the Senate and said yesterday. the House.

At the same time, Mr Clinton continues to be hamstrung by the scandals and distractions that have dogged his administration. Mr Roger Altman, the deputy Treasury secretary, was reported at the weekend to be likely to step down in the next formight after failing to convince senators that he had not misled them in

his testimony on Whitewater. "It has been discussed, and the fundamental question is whether he can re-establish the Senate's confidence," Mr Leon Panetta,

With rare single-mindedness,

Mr Clinton has spoken about nothing but crime since Thursday's procedural vote in the House which blocked the bill. After calling a press conference immediately after the vote, the president hastily arranged to address the National Association

of Police Organisations in Minneapolis on Friday and on Saturday devoted his weekly radio address to crime. Yesterday, he went to a Maryland church to sustain the barrage with another speech on the same subject.

Some Democrats believe they have already wrong-footed the Republicans, who urged the president to strip out the bill's ban on assault guns and put it to a separate vote. Republicans originally

Stripping out the ban on assault guns to rescue the bill is unacceptable, senior Democrats insist. While in many parts of the US voters want their members of

claimed they had voted to block the bill only because it had too

trol, a ban that does not inconve-nience hunters continues to com-mand widespread popular support, even among gun-owners. If the White House can turn

the debute into a straightforward vote on gun control, it stands a good chance of getting past last week's procedural block and bringing the measure to a final vote it is confident of whining,
"If this bill comes to a vote it's

going to pass. Everyone knows that," said Mr Panetta.

many social programmes which Mr Clinton has advocated "to give kids something to say yes What worries Mr Clinton's supporters is whether the push on the crime bill can be turned into a sustained improvement in the focus of the administration - the sort of improvement Mr Panetta's appointment last month was Congress to vote against gun conintended to bring about.

Rivals set to bid for remains of Canadian insurer

By Janet McFarland in Toronto and Alison Smith in London

Rival North American Insurance companies are already expressing interest in buying elements of Confederation Life Insurance, Canada's fourth-largest insurer, which was seized by financial regulators last week.

Their reaction comes against a background of concern about the longer-term damage Confed's col-lapse will inflict on Canada's insurance market. With assets of C\$19.2bn (\$13.9bn), Confed is the largest insurance company ever to fail in North America.

acting superintendent of financial institutions, said regulators would move quickly to sell assets before their value was eroded. Insurers that have expressed a public interest in acquiring parts of Confed include Great-West Life

Assurance, North American Life Assurance and Aetna Canada. Mr Paul Cantor, Confed chief executive, said negotiations company's British operation to a financial services group were continuing, and the sale should

be announced "very soon". The buyer is thought to be a Canadian insurer with UK operations, suggesting Sun Life as a bidder because it has available cash for acquisition.

Canadian regulators took control of 123-year-old Confed last Thursday to prevent a run on its policies and deposits after the failure of long-running efforts to bail it out. The mutual insurer, which has fallen victim to the North American property slump, had suffered a rapidly eroding capital base leaving it unable to meet liabilities.

The regulators will apply today for a court order to wind up the operations of the company and will order accountancy firm Pest Marwick Thorne, which is managing the company for the regulator, to sell as many of Confed's assets as possible to other insur-

But the cheap buying opportunities for rival companies will be eclipsed by the severe damage the Canadian industry will suffer for years, according to the country's insurance officials. Mr Mark Daniels, president of

the Canadian Life and Health Insurance Association, which represents insurance companies, said the most direct financial hardship for the industry would be the amounts levied from each company to act as a safety net for policyholders. The fund protecting policy-

holders, known as CompCorp, is fully industry-sponsored, through payments all insurers have to make each time a company fails. Many smaller insurers are already struggling to survive in a highly competitive market of 150 life insurers. Analysts predict some of them will overburdened by the contributions they will have to make to CompCorp.



Hundreds of stick-wielding demonstrators prepare to confront South Korean riot police on the campus of Seoul's National University. About 7,000 students gathered for an outlawed pro-unification rally called to mark the 49th anniversary of Korea's liberation from Japanese colonial rule. Korean accord, Page 4

Nato hopes to avoid dispute in hunt for leader

By Bernard Gray in London and Emma Tucker in Brussels

Nato will this week start the difficult task of finding a secretary general to replace Mr Man-fred Wörner, who died on Satur-day, with leaders of the alliance desperate to avoid the kind of public arguments which dogged the succession to Mr Jacques Delors as president of the European Commission.

The two names most frequently suggested as possible replacements are Mr Thorvald Stoltenberg, a former Norwegian foreign minister and currently UN peace mediator in former Yugoslavia. and Mr Giuliano Amato, the for-

Nato's involvement in the for-mer Yugoslavia means that Mr Stoltenberg's experience would be useful, and Norway has never held the top Nato job. Italy has held the post just once and Mr Amato has avoided the corruption scandals which have felled many Italian politicians. Nato is no stranger to disputes

over who should be secretary general. A bitter row broke out when Mr Wörner was appointed to the job in 1968. The task is complicated

because the change comes at a

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leader and team-member and, through the

course, confront your own leadership

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prospects for peace in Bosnia are deteriorating and the relation-ship between Nato and its old Warsaw Pact adversaries is evolving rapidly. Finding a candidate quickly with sufficient standing to guide Nato through these changes will be difficult.

However, officials in Brussels are keen to act quickly once they have paid their respects to Mr Wörner. "Nato has seen what the Commission went through and will want to avoid a repetition. said one diplomat. As most politicians and Nato ambassadors are currently on holiday, a meeting to discuss a successor cannot be organised before September.

Mr Ruud Lubbers, the outgoing candidate to replace Mr Delors was also mentioned as a Nato candidate, but his office said this was unlikely. Mr Sergio Balanzino, the deputy secretary general, will head the alliance until a successor is found.

As Nato officials pondered possible replacements, tributes to Mr Wörner flowed in. President Bill Clinton described him as a "true and loyal friend" of America. Mr Volker Rühe, the German defence minister said: "He was

Continued on Page 14 Manfred Wörner obituary, Page 2

US telecom carriers attack rivals who call the customers

They give a new twist to the phrase "Don't call me, I'll call you". The "callback" services mushrooming across the US now offer a way to avoid the high rates for international telephone calls charged by many countries. But their huge popularity is attracting furious opposition from established telecommunications carriers, who are pressing for the services to be made ille-

Callback takes advantage of the gap between the low prices for international calls in the deregulated and intensely competitive US telecommunications market and the high charges in many other countries, particularly those where the service is dominated by a state-owned PTT. Japan, for example, despite deregulation, still charges high

prices for international calls.

To use the "call-back" service, a caller in Japan dials the number of one of the 100-odd callback bureaux which have sprung up across the US. The caller hangs up after a single ring, and a programmed switch in the bureau calls back with a dial tone from a US carrier's line. The caller can then use that line to call any-

pay only US rates. Mr Dennis Anderson, vice-president of Colorado-based International GeoTel, estimates that his service halves the usual \$2 per minute charge to call from Tokyo to the US in peak time.

His company, which started late last year and already has more than a thousand business customers, is targeting businesses in Latin America, the Pacific rim, Italy, Spain, Greece and Eastern Europe, which have the most expensive international

The callback operators see themselves as pioneers testing technical and legal frontiers. The development of these services in the past year has been driven partly by the invention of the call-back switch.

But explosive growth this summer has followed a ruling in May by the US Federal Communications Commission that such devices were not illegal, despite fierce opposition from US carriers and some overseas PTTs.

The US carriers AT&T, MCI and Sprint argue that they are not recompensed for the cost of the initial call to the US.

Telephone companies to fight Senate bill, Page 4

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© THE FINANCIAL TIMES LIMITED 1994 No 32,445 Week No 33 LONDON - PARIS - FRANKFURT - NEW YORK - TOKYO OBITUARY: MANFRED WORNER

Presiding over era of tumultuous change



Manfred Worner: like Nato forces, "leaner and meaner"

Saturday aged 59, presided over the North Atlantic Treaty Organisation during the end of the cold war and the beginning of its unpredictable aftermath. It has been a period of tumultuous change, raising questions about the whole purpose and future of the alliance. His recent claim that these uncertainties had been overcome was not fully convincing. But there can be no doubt that his own stature increased as the job of Nato secretary-general became ever more

appointed to the Brussels post in 1988 that a Nato leader should come to spend much of his time visiting and receiving visits from what was then the Warsaw Pact. It was equally inconceivable that Nato - any more than its cold war adversary - should be thought of as a suitable instrument for peacekeeping or peacemaking out-side its frontlers.

The criticism now directed at Nato for the absence of decisive action in Bosnia is a measure of how much has changed. A long debate about "out of area" action is now over. It has moved from being a virtually taboo subject to the centre of Nato business to the extent that the phrase "out of area" has fallen into disuse.

Worner felt strongly about the tragedy of former Yugoslavia but was defensive about Nato's record there. He looked at it from the viewpoint of Nato as an organisation, which indeed has performed all the tasks the UN has asked of it, rather than as a collectivity of nations which between them have much to answer for in the Bostian catastrophe.

His appointment was controversial in the early stages, but he grew into the job and proved equal to the momentous changes the alliance had to undergo. Some found him brash

and vain, but he earned their respect. At the Nato summit last January President Bill Clinton paid him tribute as "a genuine statesman", praising his "great vision and discipline". Although he had previously had a successful political career in Germany, his reputation was higher outside his own country than within it.

attended university at Heidelberg and Paris and undertook further legal studies in Munich and Stuttgart, devoting his doctoral thesis to defence relations between allied countries.

Born near Stutteart in 1934 Wörder

After working as an adviser to the Christian Democratic Union in Baden-Wilrttemberg, he was elected in 1965

At the end of his four-year term, the allies extended his tenure by another year and then by another three years

to the Bundestag, where he became chairman of the defence committee. From 1982 to 1988 he was minister of defence, a period which included the launching of the Eurofighter project. He is credited with coining the phrase Burger in Uniform, or citizen-soldier, as the expression of the new face of

the German military. When he went to Nato in July 1988 he was not only, at 53, the younges man to do the job but also the first German. Germany was at the heart of Nato in the military sense - on the front line and still with troops from five other Nato countries on its territory - but was becoming a more awkward ally, particularly over nuclear

weapons policy.

Doubts were expressed whether this suave former fighter pilot in the Ger-

its to doctors.

in Bonn, particularly vis a vis the then foreign minister, Hans-Dietrich Genscher, that other allies felt was hadly needed. He did not seem to have the clout of his predecessor Lord Car-

One senior Nato diplomat commented at the time: "It was right that it should be a German. But the question is was it the right German?"

However, his intelligence, honesty and sheer commitment shone through. At the end of his four-year term, unable to agree on a successor, the allies extended his tenure by another year and then by another

Sadly, the principal candidate to take over from him, Norwegian for-eign minister Johan Jörgen Holst, died in January

Worner knew in 1992 he had cancer of the colon and underwent a series of operations, but was determined to complete the job of overseeing Nato's transition and its moves towards incorporating the countries of eastern

He referred only once in public to the disease, joking that he had become, like Nato's much-reduced forces, "leaner and meaner".

On the eve of the January summit he told the allies he had been declared free of cancer and intended to go on to the end of his term in mid-1996.

He was a distinctive figure, with a fixed stare, accentuated by his recent gauntness, a sometimes ponderous manner and a penchant for hyperbole which led him to describe almost any Nato gathering as "historic". But without his passionate belief in the transatlantic alliance Nato would be in a worse state than it is. Replacing him will not be easy.

His widow, Elfie Reinsch, was his second wife. He had a son by his first

David White

Ethnic Greeks go on trial in discouraging unnecessary vis-

Albania

The trial of five members of Albania's ethnic Greek minority on charges of treason, espionage and illegal possession of weapons, opens today in Tir-ane following several weeks of angry diplomatic exchanges between the two neighbouring

governments. Greece is threatening to veto Ecu23m (\$28m) in European Union financial assistance to Albania because of the Albanian decision to go ahead with the trial.

The RU I s aiready tried to assuage Greek concern over the minority's position by linking release of the aid to Albania's record on protecting human rights.

However, the stand-off with Albania, together with Greece's six-month trade blockade of the former Yugoslav republic of Macedonia. underline the continuing reluctance of Greek policymakers to try to reduce tension in the Balkans. The five defendants, all

prominent members of Omonia, an ethnic Greek political organisation, were arrested in April, shortly after an attack on a military post close to the Greek border left

two Albanian soldiers dead. The incident caused a sharp deterioration in Greek-Albanian relations, already uneasy because of complaints of dis crimination against ethnic Greeks, who claimed they were refused titles to land being privatised or were unable to bid for small businesses being sold off by the

Greece rejected an Albanian accusation that the raid was carried out by Greek commandos on orders from the government. However, speculation persists in Athens that it was organised by a group of dissi-dent Greek soldiers, opposed to the Socialist administration's efforts to improve ties with Tirane, in co-operation with hardline ethnic Greeks in

The indictment claims the five ethnic Greeks were conspiring with nationalist organisations in Greece to establish autonomy for Northern Ipiros, the region adjoining the Greek border where the minority lives, and eventually unite it with Greece.

The Greek government is also threatening to expel many of the estimated 150,000 Albanian immigrants working illegally in Greece and to block remittances in drachmas to Alhania.

However, there are fears that a wave of expulsions could bring retaliation against the ethnic Greeks in southern Albania.

The dispute has already slowed down Greek investment in Albania, which has been promoted in the past by the Greek government as the ruost effective way of improving bilateral relations.

EUROPEAN NEWS DIGEST

Germany to act on smuggling of nuclear material

Balli gui

Chancellor Helmut Kohl will send a special envoy to Moscow to find out how nuclear material is being smuggled into Germany after police in Bavaria last week scized 50 grams of enriched plutonium carried on a recent Lufthansa flight from Moscow to Munich. It was the third seizure in four months of weapons-grade material from the former Soviet bloc and confirmed fears that Germany has become the main transit route for such smuggling since the end of the cold war opened a black market for nuclear contraband from the cast. Speaking on German television last night, Mr Kohl said he would also speak to President Boris Yeltsin to seek help in tightening up security. "Every possible step must be taken to prevent such things from happening in the future," he said. At the same time, Mr Klaus Kinkel, the foreign minister, yesterday told Bild am Sonntag newspaper that a "new control system for plutonium" should be set up. "Travelling salesmen with nuclear suitcases pose a new atomic danger," he said. Police told Der Spiegel magazine, which broke the story, that the smuggling of weapons-grade nuclear materials could have been organised by Libyan, Iranian, or Iraqi diplomats. Judy Dempsey, Berlin

Epidemics threaten ex-USSR

A wave of epidemics is threatening the former Soviet Union. One person has died of anthrax in Ukraine this week and there is a risk of a cholera outbreak in Moscow, where the disease has already claimed one victim. Health officials said 24 people suspected of carrying the disease escaped from police detention over the weekend after Moscow police had tried to hold a group of 67 visitors from the southern Russian region of Dagestan, the source of an epidemic which has affected 375 people and killed 12. Russia's deputy health minister has called for the entire republic of Dagestan to be put under quarantine. Five villages in the region have already been isolated. Over the weekend, health authorities in neighbouring Ukraine issued an anthrax warning. Fourteen people in Ukraine are known to be infected with anthrax. Chrystia Freeland, Mascott

Dividend scheme uncovered

The Economics Ministry in the German state of Hesse has uncovered 179 cases of a stock market phenomenon known as dividend stripping. German newspapers reported over the weekend. The reports, quoting the Czerwensky intern newslet ter, said the transactions concerned had involved 5.9m shares with a value of more than DM2bn (\$1.2bn) and were based on brokers' data from 1981. In dividend-stripping transactions which fall into a legal grey area, shares are exchanged between domestic and foreign shareholders just before a divi-dend payout so the domestic operator holds the shares when the payment is made. This means the domestic shareholder can take advantage of a tax credit accompanying the cash dividend which is worthless to a foreign investor. The shares are then sold back to the foreign party at a fixed lower price, allowing the two parties to split the effective cash value of the tax credit. Reuter, Frankfurt

Kohl 'would serve full term'

German Chancellor Helmut Kohl will stay in office for all four years of the next parliament if he wins October's general election, he said yesterday. Mr Kohl, 64, denied accusations by the opposition Social Democrats that he would deceive voters by stepping down in mid-term if he won, making way for his hardline right-wing lieutenant Mr Wolfgang Schäuble. "I have made it quite clear to my party and in public before the election that I want to run again," Mr Kohl, who has been chancellor since 1982, told German ZDF television in his Austrian holiday retreat of St Gilgen. "I want to know [if the voters still back me), and I will naturally run in order to make full use of the time given to me by the voters." Reuter, Bonn

General denounces army plan

General Alexander Lebed, the hardline commander of the Russian 14th army in Moldova, yesterday denounced plans to pull his army back into Russia and remove him from his post. He described last week's agreement between Russin and Mol-dova on a three-year timetable for the withdrawal as "a crime" and said that he would not be "an obedient performer" of Moscow's orders. Gen Lebed's outburst, just a month after he described Russian President Boris Yeltsin as "a minus", poses an immediate threat to the delicate rapprochement between Russia and Moldova and could further undermine Moscow's control over the military, particularly units serving outside Russia's borders. Some observers fear that the charismatic general could act as a local point for Russians who lament the collapse of the Soviet Union. Chrystia Freeland, Moscow

Bosnian accord on snipers



Bosnia's rival Serbs and Moslems yesterday signed a UNbrokered accord to halt sniping in Sarajevo within 24 hours and promised to patrol high-risk areas with UN peacekeepers to stop disobedient marksmen. "The sides shall undertake within 24 hours to issue publicly orders which explicitly forbid sniping activities against military personnel, civilians and UN personnel in the Sarajevo region," the agreenant said. The accord was signed by Serb and Moslem political, military and police command-ers and UN military chiefs. The sides pledged to form

Rulin

joint patrols with the UN to flush out snipers who disobey orders. Above: Gen Dragomir Milosevic, commander of the Serb Sarajevo Corps, signs the

French employment up

Further evidence emerged yesterday of the recovery in the French economy with the news that the number of salaried employees, rose by 60,000, or 0.4 per cent, to just over 9m in the second quarter of this year, according to the Employment Ministry. This continues the upward trend of the first quarter, when salaried employment rose by 0.2 per cent. It follows the news that the overall level of unemployment experienced its biggest fall for four years in June with the number of jobless dropping by 13,000 to 3.33m, or 12.6 per cent of the workforce. Economic growth in France during the first quarter was higher than expected at 0.7 per cent rather than its original estimate of 0.5 per cent. Alice Rawsthorn, Paris

Chechen war of words grows

Russia's rebel region of Chechnya intensified its war of words with Moscow yesterday, threatening to shoot down Russian helicopters flying over parts of the self-declared Caucasus republic, Itar-Tass news agency reported. It said the warning applied only to Russian military helicopters flying over the Nadberechny region, a stronghold of opposition to Chechen President Dzhokhar Dudayev. The republic's general staff believeRussian helicopters are supplying the Moscow-backed opposition to Dudayev. Chechnya, one of 21 semi-autonomous ethnic regions in the Russian Federation, declared independence in 1991 but has not won international recognition. Mr Dudayev imposed a state of emergency on Nadterechny last week and ordered the mobilisation of all men between 15 and 55 in a bid to resist any invasion from Moscow. Reuter, Moscow

Dutch left and right unite to rule Ronald van de Krol on the Netherlands' forthcoming 'purple' coalition

he Netherlands is about to make first-hand acquaintance with the old adage that politics makes

By the end of the month, the country will find itself governed by the first left-right coalition in its history, bringing together three unlikely allies - the Labour party, the right-wing Liberals and the

left-of-centre D66. The unusual "purple" coalition - so called because of the mix between the Labour "reds" and the Tory "blue" Liberals will squeeze the centrist Christian Democrats out of power for the first time in memory, ending their era as the natural

The odd grouping of parties in the new coalition is underlined by the personalities of

the main protagonists. Mr Wim Kok, the Labour leader and the man destined to be prime minister, is the son of a carpenter. He studied business but went on to become the leader of the Dutch labour union federation before entering politics. His counterpart in the Liberal party, Mr Frits Bolkestein, is a former Shell executive with a posh accent and a fondness for tennis. Mr Hans van Mierlo, D66 leader, is one of the lew Dutch politicians who could be accused of possessing charisma. A former journalist, he founded the D66

break the mould of Dutch poli-

The advent of a left-right cabinet will not, however, her-ald radical changes. "Left" and "right" are relative terms in the Netherlands, and the three coalition parties have not put forward a programme signifi-cantly different from what the Christian Democrats, would have tried to achieve.

B costing employment will be the main goal of the new cabinet, which is to be inaugurated before the end of the month with Mr Kok as prime minister.

Government spending is to be cut by Fl 18bn (\$10bn), with

holds and the business community in the form of lower taxes and social premiums. By reducing the cost of labour to companies, the new government hopes to foster the creation of 125,000 jobs. In addition, economic recovery should lead to 230,000 extra jobs in the government's four-year term in

Social spending will be cut in some controversial areas, but the level of unemployment and disability payments will not be

People covered by the national health scheme will be required to pay a deductible of Fl 200 a year for medical treatment, as a way of both reduc-

Airport - night flights from which are to be curbed - to slightly more liberal shop opening hours. Indeed, it is the detail in the

69-page plan that explains, in part, why it has taken the Netherlands more than 100 days to come up with a new government since the May 3 eral election. But another factor is the

The wide-ranging govern-

ment plan also covers topics

from Amsterdam's Schiphol

sheer unfamiliarity of an attempt to bring together par-ties from opposite sides of the narrow Dutch political spec-

demand their homes back

hey had gathered on Saturday at the site of the former Berlin Wall in Bernauer street, 33 years to troops moved in with bulldozers to divide the city. About 100 people, many frail

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and elderly, stood on this long, narrow strip of wasteland in east Berlin. It had been turned into mud by the torrential rain but they had come determined not to celebrate the collapse of the wall nearly five years ago, but to demand from the German government the right to regain property which they had been forced to leave when east German troops ordered them out of their homes to make way for the wall on the

night of August 13 1961. "All we want is justice," says Mr Wolf-Dietrich Colz, who two years ago helped establish an association for those seeking compensation or restitu-

"The German government refuses to return our property to us," says Mr Golz. "Their excuse is that since all property along the Berlin Wall belonged to the former east German defence ministry, it should automatically be passed under the control of the German state. But why? Why is it that those whose property was confiscated by the Nazis between 1933 and 1945, or by the communists between 1949 and 1990, can seek compensation or restitution, but not us?"

The Berlin Wall ran like a

snake along 165km of the city,

cutting through 3,000 homes.

Those who lost land when the Berlin Wall went up think it is time to reclaim it, writes Judy Dempsey

"I remember August 13 1961 very well," says Mr Golz, 54. "It was a warm, quiet summer's night. We were living on Finkenkruger Street in Span-dau, not in the British zone, but in the eastern/Soviet zone. I had been writing a love let-ter. Then I beard the dogs, the bulldozers, the soldiers. The next morning, I looked out the window. Finkenkruger Street had been divided. We were

locked in." "Even before the wall had been built, it was sheer hell to live there. In the late 1940s, when the Russians carved out their zone in east Berlin, life became very difficult. We were

surrounded by guards." Mr Golz's mother eventually moved to Bavaria, leaving the family house to her son in her will. "I was studying at the time in Dresden. I went back from time to time to my home. Then in 1967, the home was flattened. I received no notification. No compensation. Noth-

The wall along Finkenkruger Street has since been removed. All that remains is a long avenue of overgrown grass and shrubs. East and West Berliners can now see each other again. "I want to return there and rebuild my house," says Mr Golz.

ver 1,400 Berliners who once lived on the site of the Berlin Wall want to do the same, or else seek compensation. But Mr Gerhard Schiele, a Free Democrat and member of Berlin's chamber of deputies, says the chances are

"Mr Theo Waigel [the finance minister) does not want to give the claimants any compensation because it would cost too much money. And the justice ministry, which used to be under Mr Klaus Kinkel [now the foreign minister], and who helped draw up the unification treaty, is afraid that if the law is amended it will create a precedent for other property claims. These are the real reasons for the government holding onto their property, which by the way, is very valu-

The dispute has not only pitted east Berliners against the German government. It has caused a rift between the Berlin Senate and Bonn. "The Senate has repeatedly demanded a change in the law," says Mr Klaus Kilian, an official from the Senate's justice department. "The Bundesrat [Upper House] last June suggested some degree of restitution or ompensation, but the Bundes tag [Lower House] will never agree. if it were allowed, it could set a precedent for other claimants. These could include those whose land was expropriated by the Soviet administration in eastern Germany between 1945 and 1949."

Mr Kilian says the dispute is also delaying investment and planning in Berlin. "We cannot develop large sections of the former wall until this matter is settled," he says. "Investors are very wary."

In the meantime, former property owners along the Berlin Wall are determined to continue their struggle. "This is about justice," says Ms inge Bergk, a veteran campaigner whose parents had lived on Bernauer Street. "If East Germany no longer exists, then the old law which placed all Berlin Wall property under the communist defence ministry no longer exists as well. This is our property and we want it

THE SHOWING WORK

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nity. They realised what Bank

tough battle

By Kieran Cooke In Kuala Lumpur

Exhausted, bruised and battered, Bank Negara, Malay-sia's central bank, has hung up its gloves after a seven-month battle against currency specu-

At the end of last week Bank Negara lifted all remaining restrictions which have pre-vented foreigners holding short term money in ringgit, the Malaysian dollar. The move applied to a range of monetary instruments, from private debt securities to bankers acceptances, Malaysian government securities to mortgage-backed

The restrictions were the last of a broad package of measures introduced at the beginning of the year to mop up excess funds in the financial system and prevent the build-up of inflationary pressures. Malay-sia's buoyant economy and a stock market which rose 98 per responsible for the big inflows

of funds. However, the catalyst for the imposition of restrictions was a sudden rush into ringgit by the world's currency speculators. Ironically Bank Negara itself was the main cause of the sudden appetite for the Malaysian

currency. "It's been a long and tough fight," said one Kuala Lumpur money trader. "Many speculators were badly burned when the restrictions came in. But Bank Negara's reputation has

taken a bad beating as well." The trouble began at the end of last year when the central bank bought in large quantities of US dollars to revalue its reserves and reduce year-end book losses caused by the bank's own multi-billion dollar speculation on the foreign exchange markets. In 1992 Bank Negara lost M\$9bn (£2.27bm) in foreign exchange dealings. Forex market losses in 1998 were officially put at

Senior monetary officials now privately admit that the Bank Negara now feels that ous error. While it boosted the book value of Bank Negara's foreign currency and gold reserves in ringgit terms, it also caused the Malaysian currency to fall sharply - from an average of around 2.54 against

the US dollar for most of 1993 to 2.73 early in January. The world's money traders were quick to see an opportu-

Negara had been doing and, judging that the ringgit was considerably undervalued, waded into the Malaysian currency. As a result Bank Negara

faced trouble on two fronts. Not only was it having to mop up yet more amounts of funds coming into the country: it was also in danger of losing control over its own jealously guarded By mid-January Bank Negara was hitting back with

the first of a series of restrictions designed to defeat the speculators and "capture all inflows of funds from abroad." These included imposing a negative interest rate on foreign held ringgit accounts. The measures sent shockwaves through the currency market with traders moving swiftly to offload ringgit positions. Some were badly burned as they

tried to take on Bank Negara. For several weeks the ringgit stayed in the doldrums, only slowly gaining strength on the US dollar. By early June the Malaysian currency had risen to around 2.60 to the US dollar. After the lifting of the final restrictions last Friday the ringgit was trading at around

tory against the speculators has only been achieved at a considerable cost. The bank's international reputation had received a severe battering due to the foreign exchange fiasco. Imposition of the recent restrictions raised a few eyebrows in the international

hanking community. Malaysia

has prided itself on its liberal and outward looking economic policies. Such restrictions were not seen to be in keeping with worldwide moves towards a more liberal financial regime. Within Malaysia, Bank Negara's moves were blamed for causing nervousness among foreign fund managers. The flow of foreign funds into

declined sharply in the first few months of this year. Money market analysts say passed. US interest rates are rising but falling in Malaysis: there is now less foreign

the Kuala Lumpur market

demand for the ringeit "It's been a difficult time for Bank Negara," said one Kuala Lumpur merchant banker. "But then its own actions were in many ways the cause of so many of its problems. I'm sure a few lessons have been

Ruling party in Sri Lanka faces poll challenge

By Stefan Wagstyl and Menyn de Silva in Colombo

Sri Lanka's ruling United National Party, which has governed for 17 years, faces its toughest-ever electoral test in tomorrow's general election.

The party is braced for los-ing considerable support to a nine party alliance led by Mrs Sirimayo Bandaranaike, the ageing former prime minister, and her 49-year-old daughter Mrs Chandrika Kumaratunga, the alliance's candidate for orime minister.

However, with opinion polls showing wildly differing results, it was not clear yesterday whether the opposition could capture enough seats to take power. In the last Parliament, the UNP had 125 out of

Mrs Kumaratunga has been attracting large crowds with her eloquence, energy and pop-ulist promises of rises in welfare handouts. But even some supporters are concerned at

her reluctance to give details. Nevertheless, many Sri Lankans believe change is in the air. At the central bus station in Colombo yesterday hundreds of people were preparing to leave to vote in their home towns and villages. Mr UN Dasantha, a fertiliser salesman,

because they don't know Chan-drika's policies. But we think it's time for a change."
The UNP has focused on the

the economic policies of the Sri Lanka Freedom Party, the leader of the opposition alli-ance, which promoted socialism with disastrous results when it was last in power in the early 1970s. Pictures of food queues adorn UNP posters, with a warning about the danger of voting SLFP.

The opposition has found it hard to hit back directly. IMFbacked pro-market reforms have brought sustained growth in output, exports and foreign investment, with GDP up 5.7 per cent last year.

Mrs Kumaratunga says she will continue with reform but wants future restructuring to have "a human face." She also wants to stop corruption, which she says is widespread

in the UNP. The contestants have trod warily around the continuing civil war in the north between the army and the Tamil Tigers fighting for a separate homeland for the island's Tamil minority. Mr D B Wijetunga, the president, has taken a tough line with the Tigers whereas Mrs Kumaratunga has called for a compromise.

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SWANSEA

NEWS: INTERNATIONAL

Bank Negara Tokyo minister forced out in row over war of signals end to signal e

and 1940s and suggesting that the parts of Asia it occupied benefited

from the experience. South Korea and China protested at the comments by Mr Shin Sakurai. director general of the Environment Agency, which he made on Friday and withdrew the same night. His political future became the subject of a weekend tussle between the Liberal Democratic party and the Social Democratic party, the dominant members of the three-party coalition that took power at the end of June.

Mr Sakurai is the fourth Japan cabinet member in eight years to be

the coalition of convenience grouping

onsted because of revulsion in the region over an attempt to put a better most if not all from the LDP, are anything, passive, and henceforth play an active role in shaping a new had his pacifism motivated by direct

remains of a number whom the westthe conservative LDP, the left-wing and traditionally pacifist SDP, and the reformist New Harbinger party.

LDP leaders, while disavowing Mr Sakurai's views, appear to have sought his retention in cabinet after he apologised for having said the war led to independence for Asian comtries which had been under the European colonial yoke, "popularisation of education and increased literacy" in those nations, and their subsequent

ern allies classified as war criminals. The weekend episode precedes a South-East Asian tour later this month by Mr Tomiichi Murayama, the prime minister. It comes as Japan is debating a wider international role for its Self-Defence Forces, which replaced the imperial military after US post-war occupation of Japan.

A government advisory panel on Friday presented Mr Murayama with a report recommending that the country "should extricate itself from its security policy of the past that was, if

whether and how to compensate those forced to work for the imperial army in occupied countries, including so-called comfort women required to provide sex for troops.

According to one report, the administration is contemplating a Y100bn (£646m) aid fund for the victims, about 50 of whom gathered in Tokyo at the weekend to press their case. Mr Murayama, the SDP leader, is a lifelong socialist who only on becom-ing premier acknowledged the legitimacy of the Self-Defence Forces as part of a policy compromise with the

had his pacifism motivated by direct recollection of the war, and this weekend drew the line at serving alongside Mr Sakurai, 61, whose stated impres-

Mr Sakurai's comments, in answer to a question at a press conference, were denounced by South Korea's ruling Democratic Liberal party as "tantamount to blasphemy against Asian countries subjected by Japan to numerous pains and sacrifices" and

by China as a distortion of history. In May Mr Shigeto Nagano, justice minister in the then government of Mr Tsutomu Hata, resigned after plying that the 1937 massacre of Chinese civilians in Nanking by Japa-nese soldiers was a fabrication. Mr Nagano was from Mr Hata's Japan



FILIPINOS DEMONSTRATE AGAINST BIRTH CONTROL

against a "deluge" of contraceptives in the Third World, Reuter reports from Manila.

The demonstrators, in one of Manila's biggest protests since President Ferdinand Marcos was ousted in 1986, gathered in response to a Roman Catholic church call to oppose a government campaign to cut the country's high population

Cardinal Jaime Sin and former president Corazon Aquino led the protest by burning sex magazines and a copy of a document expected to be presented at next month's international meeting on population in Cairo which the church said would promote

contraception and abortion. The Manila rally was a key part of the church's campaign to force the government to retreat from its stance on birth control

before the Cairo conference.

Cardinal Sin accused a "global dictatorship" of swamping the Philippines and other developing countries with a "deluge of contraceptive drugs and instruments".

Much of his anger was directed at President Fidel Ramos's government, which has taken on the church in Asia's only Christian-majority nation by refusing to back down on its campaign to promote population control.

The government, which has repeatedly rejected church accusations that it favours abortion, tried to defuse the

confrontation by urging people to take part in the rally.

But Mr Ramos, the nation's first Protestant president, strongly supports giving Filipinos the chance to limit their families by using contraceptives. The Philippines has one of the highest population growth rates in the region at 2.4 per cent a year.

Bolger to press on

By Terry Hall in Wellington

New Zealand's National party government yesterday pledged to continue its reform programme following its varrow ance party in a weekend

A loss in the former National party stronghold of Selwyn would have cost the government its one seat majority, possibly forcing an early

The National party's candidate, Mr David Carter, won 8.621 votes against the Alli-ance's Mr John Wright on The result means that the

National party has 50 seats in

parliament, Labour 45 and the Alliance and populist New Zealand First two each. However, the government remains vulnerable to defections as the country prepares to change to a proportional representation voting system. Several MPs are expected to

resign to form new right-wing or Christian fundamentalis Acknowledging this likelibood, the prime minister, Mi Jim Bolger, said he would be approaching right-wing Labour MPs in the coming week to secure their agree

ment to support the govern-ment on crucial issues. "I'm not asking them to form a coalition but to work to retain the stability of the country," Mr Bolger said.
"Any instability now would be very bad for the economy."

Mr Bolger made clear that the government intended to force further controversial legislation through parliament. This includes shipping leregulation to put New Zea

land in the unusual position of allowing international vessels to carry cargo between domestic ports; further asset sales, which are required to meet the government's budget surplus forecasts: and reforms of health and hospital cars. In the by-election, forced by the surprise resignation of the former finance minister, Mrs Ruth Richardson, the National party increased its share of the

to 42.2 per cent, but saw its majority cut from to 886 to 346. But support for Labour collapsed to only 10.3 per cent of the vote, a distant third behind the left-wing Alliance party - a group of five minor parties including the Greenswhich won 40.5 per cent. The Labour leader, Ms Helen Clark, said the drop in support reflected tactical voting for the

Alliance, which was seen to have the best chance of ousting the National party.

vote by one percentage point



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Telephone companies to fight Senate bill

US local telephone companies still plan a fight over some portions of the telecommunications bill now making its way towards the Senate floor, even though they accepted a compromise on some of the conditions it would place on their entry into the long distance telephone market.
The seven leading local tele-

phone companies known as the Baby Bells, which were set up by the court-ordered break-up of the AT&T monopoly in 1984, agreed to a compromise on the long distance market that allowed the telecommunications bill to be approved by the Senate commerce committee

But Bell executives are still promising a battle over the bill's rules for allowing them into the cable television market while cable companies are allowed into the local telephone market.

The key problem for us in the Senate bill right now is the sequencing and timing on cable entry," said Mr Robert Stewart of Pacific Telesis, the Baby Bell that provides local telephone service in California and parts of Nevada.

"The cable companies are basically allowed into our market after a year. The regulatory barriers in place would probathree or four or five years," he A similar telecommunica-

tions bill passed the full House of Representatives with relatively little rancour in June. When the full Senate passes its version, the two bills must still be reconciled before the measure can become law. Some supporters of reform fear that Congress is running out of time to complete this before it. breaks up for November's elec-

The cable companies represent probably the most serious threat to the Bells' monopoly over local telephone service.

While some long distance companies have used the argument that the Bells face no competition in their core market during the debate over the bill, it is not thought that many of them will want to go to the expense of running wires into consumers' homes. Cable companies, however, already have a network on which they might be able to telecommunications besides their current television programming

The Senate bill agreed by the commerce committee last week would allow the cable companies to provide telephone service without restriction one year after enactment. But Bell officials complain that they

surprise to Jakarta. It would

the value of exports benefiting

from GSP status is small. Last

year \$600m worth of Indone-

sian exports went to the US under GSP, which represented

only 16 per cent of total Indo-nesian exports to the US. Econ-

omists say that if Indonesia's

GSP status was revoked

between \$60m and \$70m worth

of trade would be lost.

sion to lay out new regulations they could enter the cable market, which could delay them

The commerce committee agreed, however, to an amendment that would prevent the new telecommunications bill from overriding court decisions or state laws that have already opened the door for Bell companies wishing to provide

This could have implications for Nynex, the New York and New England Bell, which is already affected by New York state laws opening up competi-tion, and for Bell Atlantic and US West, two other regional Bells, which have won court decisions in favour of their right to own cable companies.

Many senators feel, however, that they promised the cable industry a degree of protection from the Bells when in earlier legislation they required cable companies to carry certain

types of programming.
"In the Cable Act we did assure the cable companies that because of the extraordi nary regulations imposed on them, we would protect them from the intrusions of the telephone companies," said Sena-tor Daniel Inouye of Hawaii during arguments over the telecommunications bill last

Dominican

Baby Bells to press for more favourable rules | Korean accord is only a first step

John Burton reports on causes of optimism he framework agree-ment concluded between the US and North Korea on Friday night and worry in the US pact with the North amounts to a diplomatic roadwhich includes mutual nuclear map for an eventual solution

compliance with international to the dispute over Pyongnuclear safeguards instead of yang's nuclear programme.

The essence of the accord is offering vague incentives as it did earlier.

that the US promises to The accord also helps resolve improve diplomatic and ecoprocedural issues on the implementation of any agreement, nomic relations with North Korea in return for Pyongwhich has been a main stumbyang's acceptance of full ling block to a solution. nuclear inspections and restrictions on its ability to produce

deal and abandoned its step-byean foreign minister.

The preliminary agreement consists of four main steps: North Korea will replace its plutonium-generating gascooled graphite reactors with light-water reactors, which are safer, easier to inspect and depend on imported enriched uranium for fuel.

It will halt the construction of two 50MW and 200MW reactors, which would complement its current 5MW reactor. It also promises to forego the reprosing of spent nuclear fuel into plutonium, and seal its

"radiochemical laboratory", which is suspected to be a

2,000MW, which will signifi-

cantly ease North Korea's

is expected to be provided by Japan, while South Korea

wants to supply the nuclear reactors. In the meantime, the

US will arrange for interim energy supplies, such as oil shipments, while the light-wa-

The US and North Korea

will establish some form of dip-

lomatic representation in each

other's capitals, possibly begin-

ning with liaison offices, and

reduce barriers to trade and

investment, including the pos-

sible lifting of the US trade

embargo against North Korea.

• The US will offer assur-

ances to North Korea banning

the threat or use of nuclear

weapons if Pyongyang agrees

to implement its 1991 non-nu-

clear pact with South Korea.

ter reactors are being built.

reprocessing plant. The US, in turn, will arrange for the supply of light-water reactors, which will be constructed in eight to 10 years and be capable of producing

The US has accepted North Korea's proposal for a package step approach that would have forced Pyongyang to make concessions first. This indicates there "is an improvement in their mutual trust," said Mr Han Sung-joo, the South Kor-

 North Korea will remain a party to the nuclear non-proliferation treaty (NPT) and a member of the International Atomic Energy Agency. This would oblige North Korea to accept special inspections of two nuclear waste dumps to determine how much plutoenergy shortage. Financing for the estimated \$2bn-\$4bn project nium it has already produced for suspected nuclear weapons. The demand for special inspections by the IAEA triggered the nuclear dispute in

March 1993, with North Korea threatening to withdraw from egotiations on the technical details of the accord will begin in Geneva on September 23. In the meantime, North Korea has agreed not to reprocess

But the future fate of the fuel rods, with the two sides disagreeing on their disposal, indicates the complexity of the negotiations that lie shead.

spent nuclear fuel rods

recently withdrawn from its

them in concrete to prevent radiation leakage, while the US wants to transfer them to a third country, possibly China

for reprocessing to prevent Pyongyang from using them as a possible bargaining chip. The comprehensive breadth of the agreement, with its pro-visions interlinked, could slow down future negotiations and

any serious disputes could

threaten the implementation of

the accord. The issues to be tackled are difficult and their resolution must also be co-ordinated with progress in inter-Korean relations, which recently have hit a rough patch.

But the conclusion of the agreement may put pressure on South Korea to ease its recent propaganda attacks on the North. Seoul cautiously welcomed the agreement, explaining it "made clear the principles to be followed by both sides in their further efforts to find an ultimate solu-tion to the nuclear issue".

Another cause of optimism is that the US-North Korean accord was concluded after only a week of talks, indicating that North Korea's new leader ship may be ready to resolve the nuclear dispute in a first step to open the country to for-eign investment.

Indonesia spurns **US** pressure over workers' rights

By Manuela Saragosa in Jakarta

Indonesian police arrested the leader of the country's largest independent trade union at the weekend only days after the US indicated it was likely to delay a decision on whether to continue extending a trade privilege to Jakarta that ninges on workers' rights.

Mr Muchtar Pakpahan, chairman of the independent Indonesian Welfare Labour Union, was arrested in connection with violent labour demtran town of Medan in April

Police reports said Mr Pakpahan was arrested because he was engaging in "criminal acts which were likely to lure other people into criminality". The government only recog-

nises the SPSL a union run by state bureaucrats which tows the government line The issue of worker rights has been a thorn in Jakarta's relations with Washington,

which had already postponed

by six months a decision due

Republic to delay poll The Dominican Republic's National Assembly voted yes-terday to delay new presiden-tial elections intended to end

ised System of Preferences the country's three-month leadership crisis, Reuter reports from Santo Domingo. (GSP). On Tuesday, the US said Indonesia needed to do more. despite recent progress on The assembly voted to hold worker rights but said it would elections on May 16 1996, delay a decision on renewing rejecting a pact agreed last Wednesday between the Dominican president and the opposition leader to hold the poll on November 16 1995. the country's GSP status. The delay did not come as a

have been awkward for Washington to revoke Indonesia's Dominican politics have status three months been locked in a crisis since before President Clinton is due allegations of fraud surfaced in Indonesia for the Asia during May's presidential elec-tions. Incumbent President Mr Pacific Economic Co-operation summit which Indonesia's Joaquin Balaguer beat his President Suharto is hosting. closest competitor, Mr José Under GSP, Indonesian man Francisco Peña Gomez of the ufactured goods are allowed Dominican Revolutionary duty-free entry into the US, Party (PRD), by about 1 per cent, or 22,000, of votes cast. helping textile and footwear exports in particular. However Mr Peña Gomez has charged

> His charges have been echoed by international election observers who said there was evidence of voting fraud. Dominican authorities agreed. but said they could not determine which party benefited.

that thousands of PRD mem-

bers were illicitly denied the

Israel and Palestinians settle customs accord By Julian Ozame in Jerusalem Israel and the Palestinians agreed customs and indirect

tax measures yesterday and said they were close to finalis-ing an accord on the next phase of their peace process -transfer of administrative powers from Israeli to Palestinian hands in the occupied West

plutonium, the core ingredient

But analysts warn the deal

could still come unstuck over

technical details, which will be

the subject of negotiations

many of the same elements in

an US-North Korean agree-

ment reached in July 1993, but

which subsequently unravelled

over disputes about how it

would be implemented. It is

also similar to the plan out-

lined by former US President

Jimmy Carter during his medi-

ation mission to North Korea

The key difference between

the new agreement and the July 1993 one is that the US

promises to North Korea for its

The new accord contains

beginning in late Seutember.

for nuclear weapons.

The peace moves came as one Israeli was killed and six were hurt in two separate ambushes in the Gaza Strip by gunmen of the Hamas Islamic Resistance movement, which opposes the peace process between Israel and the Palestine Liberation Organisation. Israeli customs officials said

they had completed customs and VAT agreements with the PLO - a critical step in the delayed implementation of the Israeli-PLO economic protocol. The move will ease the financial constraints of the cashstrapped Palestinian treasury. Next Sunday the Palestinians will establish their own customs and immigration

channels at the Rafah and Allenby bridge crossings into Gaza and Jericho removing one of the socrest points of friction between the two sides. Under the economic accord Israel will collect customs on Palestinian imports through Israeli ports, airports and land terminals and transfer the duties to the Palestinian treasury. Ms Edit Lev, customs spokeswoman, said Israel had paid the Palestinians Shk7m (£1.49m) in customs duties last week and was preparing a further transfer of Shk6.5m in



Rabin: demanded PLO prove its revenue collection abilities

In future, however, the customs transfer would be made on a day-to-day basis rather than in irregular lump sum

Mr Uri Savir, the head of Israel's foreign ministry, said Israel and the PLO were close to concluding an agreement on "early empowerment" - the transfer of power from Israeli to Palestinian hands over West Bank education, health, social welfare, direct taxation and

tourism. Mr Savir said the only big obstacle left for a flurry of intensive talks starting today at the Israeli-Gaza border was direct taxation of the West Bank's nearly 1m people.

Israel, which will keep troops in the West Bank until the eve of Palestinian elections due in mid-December, fears that the Palestinians will ease tax collection, causing a fall in the

level of services and the possi-ble eruption of social discon-

Mr Oded Eran, a senior for-eign ministry official, said Israel and the PLO were making a joint effort to raise money abroad to meet a possible gap in revenue collection. The worst-case being discussed with donors involves providing budgetary assistance of \$9.5m (£6.1m) a month for six months to bridge the expected short-Outraged PLO officials say Israeli Prime Minister Yitzhak

Rabin last week demanded the PLO prove its revenue collection abilities as a pre-condition for early empowerment - a condition not agreed in any accords. The Palestinians dismiss Israeli concerns about tax collection, describing the matter as an "internal Palestinian issue". They are also pressing to levy direct taxation on the up to 120,000 Jewish settlers resident in the West Bank - a

move Israel firmly opposes. Despite the differences substantial progress on early empowerment is expected when Mr Shimon Peres, Israeli foreign minister and Mr Nabil Shaath, senior PLO negotiator, meet in Egypt on Wednesday. At the meeting the PLO will also present its plans for elections and demand that Israeli troops in the West Bank complete redeployment out of Palestinian population centres several months before election day to allow a free election

campaign. Mr Yassir Arafat, PLO Chairman, is expected in Egypt today to brief President Hosni Mubarak ahead of the talks.

search for political solutions instead of military short cuts prevailed."

Elsewhere the view could hardly

have been more different. Marcos had

banned several newspapers and both Mexico's main television networks

present flercely attacked the rebel

Even La Jornada's correspondent

seemed concerned when Marcos

turned away the correspondent from Univision, the US Spanish-language

network, on the grounds that Univi-sion was controlled by Televisa, the

Mexican television station that never

La Prensa, a best-selling tabloid,

attacked the convention through its

puts Marcos on the air.

eader for censoring the press.

Brazil seeks aid for regional integration costs

By Stephen Fidler, Latin America Editor, in São Paulo

The Brazilian government has proposed that new financing should be made available to support regions hurt by the movement toward economic integration in Latin America. Mr Celso Amorim, foreign minister, said his government had suggested that this and other proposals should be dis-cussed at the summit of Ameri-

dent Bill Clinton to take place in Miami in December. Mr Amorim told a small group of foreign journalists in Brasilia that the proposal was one of several made by Brazil which reflected its hope that the summit "will be more than a media event".

can leaders called by US Presi-

The suggestion was that funds should be made available by the Inter-American Development Bank to support the free trade effort in Latin America. The money should "not only support regional projects such as roads or electricity generation, but also help economic adjustment in areas that are affected by integration". Intethere are sectors that suffer in the process," he said.

Brazil has also proposed dis-cussions on trade at the summit "to find a mechanism in which areas heavily protected by the US are open for negotiation". Protection of the US market was high in several sectors important to Brazil. Orange juice carries a specific per litre tariff that works out at 85-40 per cent, which Mr Amorim described as "outrageous", while protection of the footwear industry was another

It was also seeking fuller discussions with the US on its anti-dumping rules "that very often work in ways that we consider arbitrary". Brasilia also backed a Ven-

ezuelan proposal to increase international co-operation to tackle corruption in government. Such co-operation should include the ability to gain evidence from examination of bank accounts in other countries to help investigate

corruption cases, he said. Brazil had also proposed Organisation of American States for the creation of a special agency - "a kind of UN gration was beneficial, "but Development Programme" - to cover the issue of human

Tough start for Ernesto Samper

Sarita Kendall on a week of graft, murder and attacks in Colombia

dolombian President Ernesto Samper's presi-dency got off to an eventful start. His first week in office included a political assassination, several guerrilla attacks and a police emergency in Cali, where senior officers were sacked or suspended for receiving money from the

city's cocaine cartel.

The shooting of Mr Manuel
Cepeda – the left wing Patriotic Union party's only senator and a long-time member of the central committee of the Colombian Communist party, sparked rioting, strikes and recriminations. Mr Cepeda had been threatened a number of times and party militants immediately attributed his killing to right-wing paramili-taries. His death is a serious setback to the government's hopes of reviving a dialogue with the guerrillas, not le because Mr Cepeda would have been a channel for reaching the old style communist line Revolutionary Armed Forces of Colombia (FARC).

During his first week, the president also had to contend with a series of corruption scandals among the police force in Cali. The scandals were so extensive that the government called a "disciplinary emergency" and announced the creation of a special counter-intelligence brigade within the police. More than 50 policemen, including 36 officers, were sacked for accepting money from drug traffickers. In an effort to make some

sort of positive mark in his inaugural week, the president announced a series of social and economic measures in line with his campaign promises to increase social investment and speed up devaluation.

Mr Samper launched a \$4.6bn (£3bn) four-year social welfare programme aimed initially at 3m of Colombia's 12m people living in poverty. Most of the money will come from the national budget and foreign loans, but the municipalities will have to provide over a quarter of the funds, a figure which some analysts consider unrealistic even though transfers to local government are

The two biggest items in the social welfare network" are food assistance for mothers and small children and housing subsidies for half a million families. The programme also includes employment schemes, training for young people, subsidies for single mothers to ensure their children can go to primary school and welfare provision for the elderly. Some of these schemes are a continuation of programmes begun under the previous government but are geared more spe-cifically to the poorest sectors of the population.

The economic measures include restrictions on private foreign borrowing. Mr Guillermo Perry, finance minister, says the government plans to prevent further revaluation of the peso and wants to maintain a real exchange rate reflecting the difference between internal and external inflation rates. One of the main problems will be to manage steep increase in coffee and oil income - \$1.8bn in coffee earnings is forecast by the end of 1995 and soon after Cusiana oil output is forecast to rise.

INTERNATIONAL PRESS REVIEW

Jungle convention takes centre stage

MEXICO By Damian Fraser

The most passionately held debate in Mexico's press last week was not, as might have been expected, on next Sunday's presidential election, but on a rebel-organised "convention of democracy", held deep in the jungle in the southern state of Chiapas.

The convention had been called by Subcomandante Marcos, the media-obsessed rebel leader, after he rejected a government offer for peace in Chiapas in June. Despite a lack of accommodation, water and electricity, and a 20-hour bus journey from the nearest town, some 5,000 delegates, accompanied by several hundred journalists.

made the trip. To Mexico's leftist and independent newspapers the convention was one of the year's political highlights, a meeting in which the rebel Zapatista movement's future might be determined. Exercising a freedom that only a few years ago would have been unimaginable, a handful of newspapers devoted dozens of generally favourable articles to the convention.

But to the right-wing, generally progovernment press, the convention either hardly mattered, or was seen as an attempt by a group of armed men to convert themselves into heads of a national revolutionary movement. In this quarter of the press, the meeting was barely reported at all, or stridently denounced.

Proceso, Mexico's main weekly news

magazine, led the pro-convention

wing of the press, devoting two issues

to the event before it began. The first

carried a long, fawning interview

with Marcos, who is famous enough for the cover photograph to feature just one of his eyes peering through his trademark balaclava. Marcos claimed extravagantly that the convention was the last hope of preventing Mexico slipping into civil war.

Its second convention issue began with Marcos's unsubstantiated claim that the government has sought to buy him off with money. Desperate not to be outdone. La Jornada, a daily read by Mexico City's

intellectual elite, sent one of the coun-

try's best-known writers, Eliana Pon-

iatowska, to interview Marcos for a

three-part series. The paper commis-

Zapatista guerrillas parade at the start of last week's convention in Chiapas state stoned opinion pieces for and against the convention for the best part of two weeks.

After the convention finally began, there was nothing to read about for two days. Marcos had imposed a news black-out, supposedly to prevent competition for scoops, but more likely to keep control on what was written. Journalists had to promise not to bring satellite telephones into the jungle, nor to smuggle stories out by

After the convention ended - a day early because torrential rain destroyed the hand-made convention centre - La Jornada and a handful of others reported in voluminous detail the delegates' promise to shut down Mexico if there were fraud in the presidential election, along with Marcos's pledge to submit to the orders of the convention leaders, and not to be the first to take up arms.

Convention", the newspaper claimed from diverse groups of society. "The Convention was, more than an illegal assembly of guerrillas (as some political leaders, businessmen and citizens pretend to see it), a reunion where the

La Jornada immediately described the meeting as a great success. In an editorial, entitled "Benefits of the the meeting had a positive response

main columnist, Juan Bustillos. "With zero representativeness, the Zapatista convention was a democratic lie. For groups without national representation to discuss national issues, as if this right belonged only to them, and pretend their conclusions speak for the entire nation is madness or unreal." he concluded.

When the meeting finally ended, Marcos's pledge to submit the Zapatistas to new civilian orders was ridiculed by the editor of Summa, a new business daily with close links to Televisa. Summa had earlier in the year told its readers in an exclusive that Marcos was a former Jesuit priest, who is now suing the newspaper for libel, and has taken it upon itself to

lead the anti-Zapatista attack. The National Convention of Democracy was a total failure," wrote José Perez Stuart, Summa's editor. "Independently of the weather, it col-

Just winning is not good enough,

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Of course we're glad 28 million of you chose to fly with us this year. It must mean you like us.

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Daily spot market for gas prices proposed

An electricity-type pool for setting daily gas prices could be set up when the UK household supply business is opened to competition in 1996, according to a proposal by Morgan Stanley.

Ofgas, the industry regulator, is keen to see the development of such a "spot" market for gas sales and is due to issue a consultation paper on the proposals by the end of the month. We'd like to see the creation of a daily "spot" market, but if it's to be successful it must be what people want, we can't impose it on the industry." said Mr Mark Higson, director was formulated jointly with the regional electricity companies: East-ern Electricity and ManWeb, both of which have gas supply arms, would gas sales and purchases.

Almost half of the gas used in the US is traded on this daily spot basis following the de-regulation of gas distribution over 10 years ago. A natural gas futures contract also trades on the New York Mercantile Exchange. There has to be some amount of trading if you want competition to work," said Mr Harry Moulson, head of British Gas's pipelines division,

of network operations at Ofgas. TransCo. British Gas has set up a Morgan Stanley's proposal which joint venture trading arm called Accord with Natural Gas Clearing House, the largest independent gas trading company in the US, to act as a broker in any new market.

Independent gas companies already trade small amounts of gas on the telephone, but once the household market is opened up, there will be a need for larger quantities to change hands in a more formal marketplace. By the end of August, Ofgas will ask gas companies to give their views on Morgan Stanley's market structure and how this would operate with British Gas's suggestions on balancing supply and demand on a daily basis. arises from the necessity to iron out fluctuations in the amount of gas in the national pipelines network when British Gas's monopoly over domestic

supply is removed in April 1996. If an imbalance is created by rival suppliers putting in too much or too little gas to the national network, holds could find they are cut off. In the worst case, an explosion could be caused. Since it is difficult for suppliers to find out whether they are providing an adequate amount of gas to the system each day, British Gas has suggested it makes emergency purchases of gas and later charges those companies which were not balget involved in a wider commodity

Morgan Stanley's approach envisages a much wider market structure as an arenz where all participants can buy and sell gas at a centrally-cleared price. The advantage of this system is that it could provide a liquid market with a transparent pricing struc-ture," said Mr Higson.

But some shippers are wary of creating a spot market too soon. "I've no doubt a spot market will develop in time at the physical gas terminals such as St Fergus, in Aberdeenshire. but we don't want to rush it," one

Britain in brief



senior economist, says: Prospects for UK export growth seem to be the best for a decade. Talks with "Relative unit labour costs improved by about 15 per cent US health in 1993, a much better gain than for the 1980s. After group rapped jumping 10 per cent last year. export price growth is expected

The government's health plans yesterday came under renewed attack after Mr Tom Sackville, the UK health minister, said he had held discussions with a US healthcare group on the provision of services to the

National Health Service. The Labour party accused the government of attempting to sell-off the NHS to [US president] Bill Clinton's

efforts at cost-cutting". Conservative backbench MPs also expressed deep unease a the unpopular decisions which the government may be forced to take by rising health costs. Mr Sackville said he had held discussions in June with Salick Healthcare, which was one of a number of American

companies who are trying to

gain a foothold in the UK However, he insisted that he had told the company, which specialises in diagnostic and therapeutic services for patients suffering from cancer and kidney failure, that his department was "neutral" in any decisions taken by NHS trusts or fund-holding general practitioners to buy services from external sources. He said he merely encouraged the health service to co-operate

with the private sector. The Department of Health denied any health service hospitals had been put on sale. It said: "The NHS is not for sale, and neither are any NHS

Mr David Blunkett, Labour's health spokesman, said the US companies were "seeking to soak the British taxpayer with the aid and approval of government ministers".

Exports 'set for strong growth' Britain's exports are set for

sales growth as the world's economic revival spreads." Crack found in Concorde wing Hairline cracks have been

found in the wings of seven

British Airways Concordes,

The Lloyds Bank Quarterly

Economic Bulletin says failing relative labour costs mean UX companies are well placed to take advantage of stronger European Union markets.

Mr Trevor Williams, Lloyds

to be barely positive in the

domestic inflation.

next two years, helped by low

This optimism is shared by

Professor Douglas McWilliams

He says: "Surveys show a

reasonable to expect continue

powerful growth in export

in the quarterly economic

report of the Chartered

Institute of Marketing.

orders and it would be

the company has confirmed. "We have repaired two of them and are working to repair the others one by one," The Civil Aviation Authority said it had allowed the Concordes yet to be repaired to remain in service on the basis that they are checked after every 10 flights. The hairlines are not in a high-tension area or one that

has anything that has a bearing on safety, it said The cracks were found during a routine inspection in May and other aircraft were then brought in for inspection

Scots rail crash probed

Accident investigators spent the weekend at the scene of Saturday night's rail crash near Edinburgh in which 59 people were injured. The crash happened when a

driveriess 100-tonne locomotive rolled out of the city's Waverley Station for a mile before colliding with the Newquay-Edinburgh InterCity train at Abbeyhill, a mile east

Edinburgh poised for profitable festival

By Antony Thomcroft

The Edinburgh International Pestival opened last night with a performance at the Usher Hall of Mahler's 8th Symphony by the Royal Scottish National Orchestra, a suitably rousing curtain-raiser to the largest annual cultural gathering in the world.

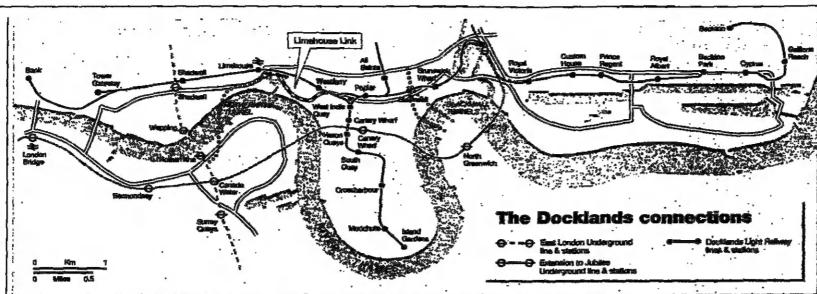
For the next three weeks Edinburgh plays host to four major festivals, plus the popular Military Tattoo. As well as the International Arts Festival, there is the Fringe, the Film Festival, and a Jazz Festival. At the end of the month the television world gathers for its annual conference.

This year's International Festival, directed for the third time by Mr Brian McMasters. promises to be the most successful for many years. The box office has already taken £1.5m towards its £2m target, while the new Festival Theatre will be open for large-scale

Among dance troupes in Edinburgh are Miami City Ballet, the Mark Morris Dance Group and Merce Cunningham, while the highlights of an impressive drama programme are the world première of Canadian director Robert Lepage's The Seven Streams of the River Ota and the return of German director Peter Stein with a performance in Russian of the Oresteia lasting over seven hours.

Last year's Edinburgh Festival made a small profit and with local authorities contributing well over film in subsidy and corporate sponsor-Festival should also end up in the black despite the need to sell 20 per cent more tickets.

The Festival brings over £30m to the Edinburgh econcustom is the Fringe, with 9.000 performers from 36 countries, who have scheduled 13,415 performances of 1,275 church halls, a delicatessen, a swimming pool, and a bus run-ning around Edinburgh.



Clouds clearing over Docklands property

fifth below their late 1980s peak but demand for dockland

property is rising, particularly

from Far Eastern investors.

had fallen by 35-40 per cent

unsold stock of 1,500 new

oil company, Thalgo, a beauty products maker, the European Agency for the Evaluation of Medicinal Products and an unamed Hong Kong purchaser of 25 Barratt homes got in common?

The answer is that all four have decided in the past 18 months to occupy commercial premises or invest in London's former docklands. After more than four years of harsh recession, spring suddenly has reemerged in one of Britain's hardest hit property markets. According to the London Docklands Development Corporation, 800,000 sq ft of offices was let during the 12 months to the end of March, the largest annual total since 1987 and 50

January, 500,000 sq ft has been let and there are firm inquiries for another 1m sq ft. Mr Mike Bignell, head of property development at the corporation says: "At this rate commercial lettings should top Im sq ft this [financial] year for the first time in Docklands' his-

House sales and prices also have picked up. Barratt says it is selling homes faster than it can complete them at its riverside Sovereign View housing development next to the former Surrey Docks, where three quarters of the 300 homes planned have been sold. Twenty five went to a single Hong Kong investor earlier

from their peak are estimated by the corporation to have risen by about 15 per cent since Autumn 1992. It says builders sold 700 new private sector homes during the first six months of this year leaving just 31 new units unoccupied, compared with an

homes in 1988-89. The stock of unoccupied offices will take much longer to disappear. The corporation estimated that there was there was about 5m sq ft of empty commercial space, represent-Land prices are still about

Four fifths of this empty space is on the Isle of Dogs, home of the massive Canary Wharf development which came out of receivership last year and is now owned by a group of ten bankers. Lettings, nonetheless, have

increased sharply with Canary Wharf now more than 50 per cent let to tenants such as the European Agency for the Eval-uation of Medicinal Products, London Underground, Mirror Group Newspapers, Credit Suisse First Boston and Texaco.

Teraco moved last year from its former headquarters in Knightsbridge in London's West Knd where its lease had run out, to a new 250,000 sq fi air conditioned building at

craft to shuttle staff at peak travel times along the River Thames from Charing Cross pier to Canary Wharf - a journey of about nine minutes A more recent arrival is Thalgo Cosmetic, the UK sub-

sidiary of a French beauty and

health products group, which

three weeks ago moved into offices at Millharbour. Initial rents range from about \$6.50 to \$25 a sq ft with an average of about £10 says the corporation. A better guide to the improvement in the market is a reduction in sales incentives with rent free periods offered by developers fall-

about a year to 18 months.

ing from three to four years to strong growth as the rest of Europe moves into economic

Andrew Taylor reports published today.

Cable network may hand government a £1bn windfall construction over the next Ninety per cent of UK homes could hook up in the next decade, writes Andrew Adonis

ten British households and could not the government more than £1bn, according to the

The association, which repre sents the mainly US-owned companies building cable television and telephone networks. believes up to 100 new licences are likely to be granted over the next three years, as cable companies seek to extend their networks to smaller towns and about 14.5m homes, about 70 per cent of the UK total. although fewer than 1m homes have been connected. Cable operators are projected to spend more than £5bn over the next five years constructing

networks in the 130 areas already franchised. Mr Richard Woollam, director general of the Cable Television Association, said: "There is strong interest among operators in extending their nettechnology to provide connections in less populous areas." He said this could lead to the granting of franchises covering up to 4m additional homes putting cable within reach of about 90 per cent of the UK's population.

Licences to build cable systems are granted by the Independent Television Commission under the 1990 Broadcasting Act. It awards them for areas of up to about 500,000

proceeds go to the government. The most recent licence to be awarded, covering west Kent, went to Eurobell, a cable operator with franchises in the Crawley area of West Sussex and in Devon. Eurobell will pay £1.6m upfront, then 2 per cent of television revenues after five years of operation. The west Kent franchise - a

residents live in Tunbridge Wells and Sevenoaks and their mmediate surroundings. Eurobell plans to build wire-based networks in those towns, but for the rest of the area. The ITC has three licence applications pending - the Blackpool area, south-east Anglia, and parts of Derby-

A US regional telecoms operator with extensive UK cable bid £800,000 for the Blackpool The ITC said it anticipated an increase in demand for cable licences for areas not

already franchised. The largest franchises expected is for Belfast, which could cover up to 500,000 homes if extended to the whole of Northern Ireland. A recent Commons trade and ndustry committee report on "superhighways" called for on the ITC to ensure that most of the UK has an operator able

According to the FT's media markets newsletter, the ITC has rejected a proposal by Merwhich would have allow the telecoms operator to build a television microwave system across those parts of the UK not already covered by cable

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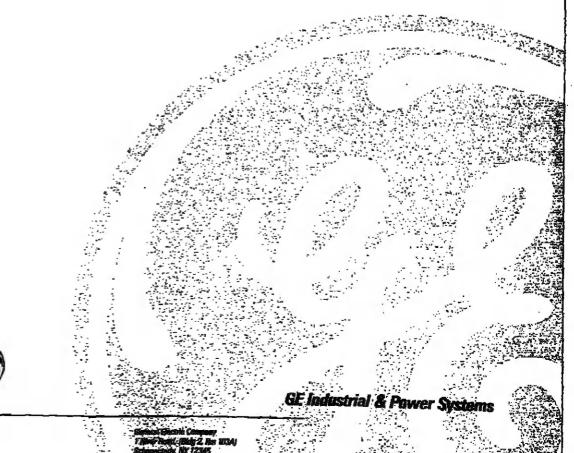
from project feasibility, to extended scope, to project financing.

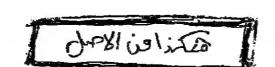
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and in the more subtle art of securing business in East Asia. It was no coincidence that the dragon boat was in Taipei at the same time that Taipower, the potential customer, was considering sealed bids for the Lungmen Island

he sculpted ice model of a

dragon-shaped boat dripped

water from its nostrils under

the heat of spotlights at the Taipei

The occasion was a reception held

by Nuclear Electric, the UK's state-

owned nuclear power company,

which had gathered its team of

local contractors for a progress

report on what may be one of

Britain's most lucrative civil engi-

neering exports - the construction

of a £1.4bn nuclear power station in

The reception and the model had

been arranged around the Nuclear

Electric team's visit to compete in

Taiwan's annual dragon boat races

a few weeks ago. The roots of this sport, in which

cally against each other over a few

hundred metres, go back to ancient

China. Today it is part of the sport-

ing calendar in Taiwan, China and

Hong Kong. In India and Bangla-

desh, the vessels are called peacock

Since the annual Hong Kong

dragon boat festival introduced

international races in 1976, corpo-

rate teams and rowing clubs have

globe; it is proving increasingly popular because of its team-building

developed the sport across the

Nuclear Electric has advanced the

boats, in Japan perion boats.

large canoe-like boats sprint franti-

Bankers Club.

Taiwan.

nuclear power plant project at Yen-liao, 40 miles north of Taipei. The British company crew could not directly influence the bid - one of three submitted by worldwide

The pattern is always the

few companies try it out, and great

claims are made for it. Packed con-ferences are held and consultancies

multiply and prosper. More compa-

nies follow until everyone is doing it and swearing by it. Then some clever dick does research showing

this marvellous practice is not delivering the goods. The believers

behave as if an act of sacrilege has

been committed, yet the fall from

grace has begun. A new idea soon

comes along to renew the process. We saw it with total quality man-

Japanese lean production tech-niques such as "just in time".

bridge University published a

shock-horror study suggesting that

lean production can damage a com-pany's financial health. Now

Britain's JIT fanatics are all angrily

The cycles are inevitable because

defending themselves.

Last week academics at Cam-

same. Somebody. comes up with a management idea. A

Oragon boats in contract race consortia - but the feeling was that by demonstrating its interest in Tai-wanese sport, Nuclear Electric was

helping to make its presence felt

more acutely in a difficult market for British companies. The impact of dragon boat racing in East Asia should not be underestimated. According to figures supplied by the British Dragon Boat Racing Association, the sport has grown so large in China that 20m Chinese now compete. Grandstands and a four-star hotel are being constructed at Yueyang, in Hunan, the spiritual home of the sport and the site of its first official world champi-

In the contract bidding, one of Nuclear Electric's problems has been that nominally it is merely the principal sub-contractor in a bid headed by Westinghouse, the US conglomerate. According to executives, Taipower was against the sub-

onships in June next year.

on of joint bids. So the challenge has been to ensure that the Taiwanese are fully aware of its contribution to what it considers is as much a European as a US bid, while not disturbing its relationship with Westinghouse or its growing understanding with Taipower. Rival consortia are led by

Combustion Engineering, a US sub-sidiary of ABB, the Swiss-Swedish engineering group, and Framatome, of France.

Guy Stanton, a commercial ser-

Taiwan's ancient sport has acquired a special dimension for civil engineering, writes Richard Donkin

vices executive and, until a few weeks ago, Nuclear Electric's only representative in Taiwan, is the man charged with leading the delicate negotiations. "My role has been to raise the profile of Nuclear Electric in a country that had neither heard of

designed [in the UK] and which forms the basis of this bid," he In Taiwanese eyes, we are a contractor, but it's critical that we have a presence since it's our design that we are selling, and we have as big an interest as Westinghouse in the

the company nor of Sizewell B, the

pressure water reactor that we

project."
While local contractors would be involved in much of the construction, the deal, to build a power plant that, like Sizewell C, is double the capacity of Sizewell B, would be worth £700m and 5,000 jobs for UK exporters, almost equal to the whole of UK exports to the country

But the British company is up

against a French design, older but almost certainly cheaper, and a US bid which is state of the art. In commercial terms, the biggest obstacle may prove to be price, even allowing for the series of industrial incentives for Taiwan built into the Westinghouse/Nuclear Electric pro-

Politics is also bound to play a part, however, since none of the nations hidding for contracts offcially recognises Taiwan. Each treads a diplomatic tightrope. Philip Morrice, director of the

British Trade and Cultural Office, which has a significant but discreet Foreign Office involvement, is the nearest the UK has to an ambassador in Taipei. He has only now succeeded in calming tensions caused by political reservations and adverse UK press reactions to the £157m Hualon textile group investment in Northern Ireland, sup-ported by a 261m grant from the UK

public purse. One of his chief roles is to promote the Westinghouse-Nuclear Electric power station bid. One way to do so is to highlight the difficulties that have emerged in Taiwan's biggest transport project, the French-built Mass Rapid Transit

System, still unfinished after prob-lems with an untried rail car. "It's the most expensive transport system in the world, with no passen-gers as yet," he says disparagingly. The hope of the US-British team is that this will work to Westinghouse-Nuclear Electric's advantage when the bidders stress the merits

of what they claim is a "proven' power station design. Perhaps the most complex area of all in a project of this size in Talwan is assessing the importance of guanzi, roughly translated as

'connections". "You cannot overestimate the significance of the political massaging that goes on," says one British busi-nessman with years of experience in the island.

In a country where the politics are anathema to the British way of business, that may prove too great an obstacle. "They tend to want vis-its by royalty and recognition; the sort of things that, because of the political situation, we cannot provide," says one observer.

Nor can business visitors avoid the political inertia that has devel-oped since the end of martial law in 1987. Getting things done is proving

else's. "The idea, in its simplest terms, is that you should no longer **DESERT ISLAND** MANAGER **Nick** Temple

Nick Temple, 46, chairman of International Business Machines (UK) was its chief executive from early 1992 until the middle of this year. It was the computer giant's most troubled subsidiary. Temple lived up to his reputation as a no-nonsense bruiser with a precision intellect, and turned the company around. Rewarded with a bigger job -European general manager for the finance industry - he thinks he would welcome a spell off the

You are allowed one piece of equipment. I would take my notebook computer. I use it all the time to write up notes, briefings and ideas I have while I'm flying across the Atlantic on business trips. It's also got games on it, like chess and backgammon, so that even if I was on my own, I

How would you take to a solitary life? I don't think I'd enjoy being on a desert island. I'm very much a social animal and I like people

would be able to play.

What would you miss most? I love the telephone. It keeps me in touch with what everyone else is doing, and I can talk to people wherever and whenever. My mother - she's 90 - can't quite grasp the idea that I don't have to be at a particular place to phone me, but she's getting used to the idea.

I'd miss the television least, I rarely watch it. It just blasts away, and I usually switch it off."

Could you operate as a long distance manager? I wouldn't find it difficult manage my business remotely. I would delegate to people I can trust. I have learnt the value of having people around who I can rely on and who intuitively know what I would do in a given. situation. .

You can take one film. Pd like Hopscotch, a thriller-comedy starring Walter Matthau. I'm a great fan of Matthau's and I enjoy a film with a few surprises that makes me laugh. I like A Fish Called Wanda for the same reasons.

And one book. I'd take Mad White Glant by the explorer and adventurer Benedict Allen. I beard him speak at IBM's business convention in France last year, and have great admiration for his courage. He is totally unconventional and an entertaining speaker.

What would you eat and drink? I'd eat fish, which I assume I'd have to catch myself. As I'm not terribly good at fishing, perhaps I'd be allowed a stick of dynamite or two. I'd drink Borgogne – it's light, fruity and adaptable for all sorts of meals and would be just right for the turbot I'd like to catch. A lot of my best ideas are the result of a glass or two of Borgogne.

Alas, no rescue in sight. What would be your epitaph? I'd like to be remembered as a man who made things happen, who took little notice of red tape and who brought enthusiasm and excitement into work. I'd like to think I'd never be remembered as being boring.

Alan Cane

An arena for identifying team leaders Hartlepool plant's human resources The foreman's job has been

concept, using its dragon boat team as ambessadors for the company, both in the field of nuclear politics ragon boat racing is more than merely an East Asian promotional tool for Nuclear Electric.

The crew's success has helped maintain morale in a company engaged in the painful transition from the public to the private sector, while the sport provides an opportunity for management to

spot potential leaders. Take Dave Price, the crew's captain, who is part of a change support team which has been established to introduce now working practices at the company's

Hartlepool plant. Chosen partly for his organisational abilities that emerged in the way he ran a company football team, and most recently the dragon boat, he said: The management wanted people who were good at pulling teams

Bill Shirra, formerly the

nager and now the company's career development manager at its Gloucester headquarters, emphasises the team-building benefits of the sport.

"There was a time when people were expected to hang up their brains as they walked through the door. That's all changed now. People are expected to think about their jobs and take decisions for

changed to that of team leader and the teams are expected to be more self sufficient in areas such as budgets and personnel decisions. Part of the changes, he said, had been to introduce skills broadening, which entails training people to do 10 per cent of someone

need to get an electrician to put a plug on," he said.

Lemmings leap to adopt 'just in time'

LUCY KELLAWAY

between mass adoption and doubts setting in. In another year or so, re-engineering and benchmarking which all but the very smartest and the very dumbest companies now espouse - will take their turn. Looking through the papers for bargain flights, my eye was caught by

the rest - has some intrinsic worth.

Yet managers apply these systems

willy nilly to their operations, urged

on by their peers and by greedy

consultants.

To judge by the JIT cycle, about four years is par for the course

agement. Now we are seeing it with some remarkably cheap deals: Hong Kong for only £250, Panama for only £265. On closer inspection I found I was looking at offshore company bucket shops noisily comparing prices for buying companies in taxfree paradise.

Curious, I sent off for the details and received what looked like holicompanies behave like lemmings. day brochures, full of photos of tra-

ditional Chinese junks, the Rock of Gibraltar and - less enticing - of Belize's Philip SW Goldston arport.

As there is no question of the clients actually visiting any of these places, it is hard to see why the companies bother with pictures. For about £500 a year, the offshore spe-cialists will supply names of direc-tors, phone numbers, addresses and anything else to create the veneer of a company that doesn't exist. What surprised me about the brochures is how simple the business

of tax avoidance is. All you need is

to fill in a form (slightly shorter

than the one I have just completed

to join my local library), choose a

country, pick a company from off the shelf, supply your credit card number and you are ready to go. It easier than booking a holiday - and marginally cheaper, too.

What does it mean for a company to have a woman on its board? Does it mean it is a forward-looking nondiscriminatory employer? Possibly. More certainly it means the company is statistically less likely to go bust than those where the board is entirely male.

CCN Business Information, the credit analysis company, has found

that women are more unlikely to be six of her friends. In due course she involved in companies that fail and 50 per cent less likely to have a disgraceful string of corporate disasters behind them. That was only as I had suspected: women are simply the more honest and have

superior judgment, too. Unfortunately, the real explana-tion seems to be otherwise. Nearly one third of the 1m directors of British companies are women, but most of these are the wives of men who have started their own business. Usually a second mortgage on the house is part of the package, and these sorts of family businesses are usually not those that are going to be involved in the latest fraudulent

A few months ago my one-year-old daughter received a letter claiming that a fine collection of books could be hers. All she need do was send a book to the child named in the letter, copy the letter and send it on to

would be sent six lovely packages containing books.

The ruling Kuomintang, the busi

ness elite that comprises 15 per cent

of the population, is said to be

investing heavily in other parts of

East Asia, particularly Indonesia

Some observers see this, rather

like the investment policies of

Kuwait, as a kind of insurance,

establishing Kuomintang mobility.

It is also developing a significant presence in Shanghai, dreaming

perhaps of one day returning to the

Such dreams are not only fostered

by ambition, but also by fear. Some

believe that, after Hong Kong and Macau have been reclaimed by the

People's Republic of China, the lat-

ter will turn its attentions to

Since the emergence of an official

opposition to the government, some

Kuomintang are glancing nervously over their shoulders at the 85 per

cent native Taiwanese majority, once cowed by the massacres perpetrated by Chiang Kai-shek in

1947, but increasing in confidence

In the midst of this political ch-

ests - the public relations value to

Nuclear Electric of spending 240,000

to send a 21-strong dragon boat

The event was certainly covered

in newspapers and on television. which will have taken the compa-

ny's name into Taiwanese homes -

especially since the boat came fifth

The crew is philosophical about

its impact on the power station bid-

ding. Most of its members would

agree with the sentiments of Mor-

rice, who said he could not put his

hand on his heart and declare that

the Hartlepool crew would win the contract for Nuclear Electric. But,

as he said: "It's a nice gesture and

certainly does no harm.

out of a field of more than 50.

mate - the freer society has also led to western-style anti-nuclear pro-

and Vietnam.

Taiwan.

I was reminded of this letter as I read about the pyramid schemes that have been causing investors so much grief from Russia to Japan to the UK.

The popular belief is that the poor suckers involved are either new to capitalism or pathetically naive.

My daughter's chain letter suggests otherwise. It came from a financially sophisticated acquaintance who has enough money to buy her son a whole library of

She knew, and the parents of all the recipients would have known, that chain letters and pyramid schemes are a con. Yet she was prepared to excuse herself with a lot of middle-class claptrap about promoting reading. The idea of something for nothing seems to be deeply rooted, and people who should know better are not only espousing it but passing it on to

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ional travellers. B-Pier has four termin ates for European ions, passenger vaiting areas and the

lights, the airport is the ay to 50 Europe tions through 16

airport's security

Third time unkeky An Air India flight attendant has been sacked for giving birth to a

airline said yesterday.

regulation has been

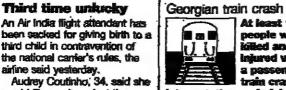
implemented.

would file a suit against the airline challenging the dismissal.

A flight attendent who gives birth to a third child must resign

under the airline's rules. This is

thought to be the first time the



At least 15 people were killed and 30 injured when train crashed

into a stationary freight train just outside the Georgian capital, Thilisi, after a signaling error, railway officials said

Guguly Maydurarize, leputy director of the leorgian railways, said the likely cause of the accident is a mistake by station staff who tailed to check whether the track was tree re allowing the senger train to proceed. Flights to Rwanda Sabena, the Belgian airline, is to

resume commercial flights to Rwanda on September 2. Initially there will be one light weekly to the capital, Kigali, teaving Brussets on Friday evenings and returning from Kigali on Saturday

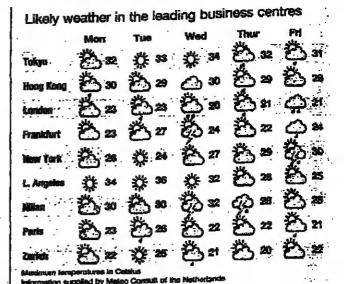


a strike over the sacking of a pilot. The strike by air crews entered its fifth day on Saturday, according to the air crew mion, the AMPT.

There have been no regotiations with the

Israel to Nigeria largel's national airline, El Al, will commence direct. flights to Nigeria in the next two

The two countries re-established diplomatic elations about three years ago after a 19-year breek.



ravellers to the US who need their hotel rooms to double as offices or showrooms, but who do not want to pay an excessive price for the privilege, are increasingly checking into all-suite

Launched in the US 10 years ago. these hotels typically offer a sitting room as well as a bedroom, and usually include full breakfast in the price. The price of a suite is generally only slightly above that of standard rooms in comparable hotels in the

Average daily rates for a suite in arket hotel were about \$97 in the first quarter of this year, accordLaurie Morse on a type of US hotel that offers more space

Suite-talking the guests

ing to Ernst & Young, the consul-tancy. For an extended stay, the average rate falls to about \$75 a day. "Snites give travellers a bigger space for about the same price," says Mr Steve Porter, marketing manager for Promus Corp's Embassy Suites, the largest all-suite hotel chain in the US. Not only are the rooms larger, the hotels are generally smaller, and

built around a courtyard or atrium to

give guests a more relaxed, residen-tial atmosphere, Mr Porter says.

There are 16 major all-suite hotel chains in the US, many of them operated by well-known hoteliers, such as Marriott, Promus Corp and Radisson. While US hotel construction has stagnated recently for lack of financing, all-suite properties are expanding, particularly hotels catering to the

These hotels often offer laundry

and shopping services, and sultes are equipped with small but functional kitchens. At the best chains, a guest enjoys the equivalent of a wellequipped, one-bedroom apartment for ss than \$100 a night.

Marriott operates Residence Inns. the largest and most successful extended-stay chain in the US. Home-

wood Suites, run by Promus Corp, won top billing for overall customer satisfaction in a recent all-suites hotel survey by Consumer Reports

Magazine. Experienced travellers say that, in addition to more space and a conve-nient breakfast, the all-suites hotels have two other winning features: location and consistently good quality. Because they tend to be newer properties, they are usually in better shape and have more modern equipment than older, full-service hotels. Ruilt with business travellers in mind, all-suite properties are usually state highways or big airports.

Cancellations at Glasgow

here has been had news for users of transatlantic air services from Scotand in the past few weeks. First, American Airlines announced that its daily service from Glasgow to Chicago would in future only operate in the summer. Flights would finish this year on November 2. Next, Northwest Airlines

said it was ending its daily

Glasgow-Boston service altogether on October 25, after flying from Scotland for 14 years. These decisions reverse the gradual expansion of transatlantic services from Glasgow that began in 1990, when the government stopped forcing intercontinental flights to use Prestwick airport, 30 miles south-east of Glasgow. At that time, American Airlines and British Airways, which had refused to use Prestwick, launched services from Glasgow, with American flying daily to Chicago and BA three times a week to New York. Northwest and Air Canada moved to Glasgow from Prestwick, and last year United Airlines began flying daily

from Washington DC. Aviation specialists believe the latest decisions to cancel flights reflect airlines' determination to improve returns on their assets rather than seek market share. American Airlines complained that, while summer holiday traffic was good, there were not enough year-round business travellers

to give a satisfactory yield per seat and make the service profitable overall. Northwest also blamed low

yields, and claimed there was excess capacity on transatian-tic routes from Glasgow. One difficulty is that business or first-class passengers

do not necessarily want to fly from their local airport. The convenience is offset by the fact that there are a much greater number of transatlantic services from London's Heathrow and Gatwick airports, giving passengers a range of options in case of delay or concellation. And many of these flights go direct to the traveller's ultimate North American destination.

Mr Bob Buntin, Northwest's general manager for Scotland, says that its Clasgow flights have had good capacity utilisation, but claims this is only because fares are low. "We have been trapped for some time at the low end of the market," he says.

BAA, which runs Glasgow airport, hopes to persuade the remaining year-round transatlantic carriers, United, Air Canada and British Airways, to increase their services to take up any slack. British Airways says it will increase its frequency to New York from four flights a week to five, probably from January.

James Buxton

Flights to the land of Nod

Tt almost seems a shame to Kate Bevan on calls Upper Class.
BA's first-class cabin is go to sleep if your company has forked out for you to fly first class. There are fine vines, good food and all the latest movies to be sampled.

But many people find the best preparation for a business trip is a good sleep on the air-craft - so British Airways and Virgin Atlantic have launched rival sleeper services. British Airways began what

it calls its "dream service" for first-class passengers on some overnight flights last year. It has since expanded the service to the Middle East and some destinations in Africa, as well as transatlantic routes from the US east coast and Toronto. Canada. Virgin Atlantic launched its

"Snoozzone" on flights from the US and to Hong Kong and Tokyo from London. The two services are similar in concept. On some flights

passengers have a choice of a

& 2 September 1994, London

Professor Hérmen De

Robert Ayling, British Air

WORLD AEROSPACE AND AIR TRANSPORT

FT CONFERENCES

This conference, which has the support of the Society of British Aerospace Companies.

tughes Electronics: Mr Jan Stenberg, SAS, and Mr Eugene Buckley, Sikorsky Alteratit.

14 & 15 September 1994, London This high-lovel meeting will examine the outlook for nuclear power in North America as

western Europe, considering the impact of current government moretons and the role of nuclear in the fuel mix, and review growth potential in the Asia-Pacific region. The chollenges of improving efficiency and safety at nuclear plants in sessem Europe and issues

related to managing the fuel cycle will class be addressed. Speakers wit include: Plann Carle, EdF; The Honorable John Reld, Canadlan Nuclear Association; Dr Thomas 8

Cocrean, Natural Resources Defense Council, USA: Dr Yth-Yun Hau, Atamic Ene

Council, Taiwan, Michael Folger, United Kingdom Nirer, Limited; Professor Jurgis Vilenes

Uthuanian Energy Instituto; Thierry Baudon; EBRD; John Guinness CB; British Nuclei Fuels; Mr Joon-Pierre Rougosu, COGEMA and Dr Rachel Western, Friends of the Earth.

This year's meeting will locus on the need for the retail industry to exploit fully the opportunities that new markets and new technologies offer while, at the same time, death with the fundamental business challenges - maximising profitability: controlling cost increaging the property portions and crime busting. Winning retail formers will be those the

nerraging trip property portions and crime busing, veryining retail formace was the troops that successfully combine vision with officiency. Speakers at the conference, arranged jointly with Coopers & Lybrand, include, Teh Ban Llan, Emportum Holdings (Singapore) Ltd.; George Booton, Edgars Stores Limited; Jack Walker, Megadoods Stores Inc; Mark Lifly, The Disney Store Limited, Robert Millor, Galleria 21 (UK) Ltd and James May, Entish Retail

This major forum, immediately prior to the annual mostings of the IMF and the World Benk, will debute the outlook for busing in the mid-1990s and address a wide range of issues of current concern to the international financial community. Speakers taking part include Emile Botin Rios, Banco Santander: Lord Alexander of Woodon QC, National Westminster.

Josef Ackermann, Credit Sulese; Egidio Ghuseppe Bruno, Credito Italiano and Eugene J

churuties in key growth markets, to include Eastern Europe, South Alnes and the Middle

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Lappaz, KMR Power Corporation, Mr Christopher Nash, Worthwest Water International Ltd.

The Financial Times '54 conference will focus on the growth of mobile communications, th

various technologies being adopted and new operator stretegies. Speakers include Dr Herbert Unggrer from the European Commission, Mr Charles Wigoder, Managing Director of

The Pooples Phone Company, Dr Joachim Dreyer, Chairman of Debite Kommunikationstechnik, Mr Barry A Kaplan, Vice President of Goldman Sachs & Co, Mr

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THE NUCLEAR INDUSTRY - INTO THE 21ST CENTURY?

rival airlines' sleeper services

meal at the airport - the best are in New York - or a light meal on the flight. Once on board, passengers are given a cotton tracksuit and the seats are made up into the closest thing to a bed the airlines can manage, with a duvet and pillow. BA's final touch is a mug of hot chocolate and cookies before all the cabin lights are turned out.

The main difference is in price. The British Airways one-way fare of £1,974 from New York's John F Kennedy airport to London compares with Virgin's one-way weekday fare of £1,082 from New York. Virgin's price is lower mainly because it has done away with the first-class/business-class distinction in favour of what it

smaller and quieter than Virgin's. BA sleeps 16 in first class on a 747 and 10 in a 767, while Virgin has 25 Upper Class seats on A340 aircraft and 30 on its 747 fleet. On Virgin, dinner carts serving non-snoozing pas sengers may clatter around for a while after take-off.

Cathay Pacific, the Hong Kong carrier, also offers a sleeper service in business class three times a week. After a meal before take-off, passengers are given a kimono-style dressing gown, blankets and pillows. Cathay tries to split those who opt for full service from those who want to sleep.

Even people who find it diffi-cult to sleep in aircraft should manage a bit more than 40 winks on such sleeper flights. The only thing missing, as one passenger said on a flight from Washington DC to London, is a teddy bear.



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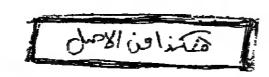
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Victoria Griffith explains why companies are making an interactive push into US classrooms

S elementary and high schools are turning into key testing grounds for multimedia products, as companies woo the young people they believe will one day be their most important customers.

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"The eight-year-olds of today are our future market," says George Schlukbier, director of new media for the News & Observer Publishing Company, which runs an on-line service to schools in North Carolina. "The information highway will come into full force a decade from now, when those eightyear-olds will be entering the consumer market."

Examples of this trend are many. Nynex, the telecommunications company, offers an interactive voice and video hook-up which allows students to take classes with a teacher in another school. Via computer, students in various locations can be called on to answer questions. AT&T is connecting high schools with

colleges interactively. The publishing industry is also throwing its weight into the classroom. For instance, Primis, a subsidiary of McGraw-Hill, is making custom-designed textbooks via high-speed printing. Voyager has put out CD-Rom versions of Shakespeare's Macbeth and other books, complete with

The media sector has also been especially active in the schools. Whittle Communications runs a computer-linked cable news network to schools in the US and hopes to move into the UK market soon. Newspapers like the San Jose Mercury News, the Chicago Tribune, and the New & Observer Company, which publishes the Raleigh News & Observer, all run on-line services to schools. Meanwhile, Reuters, the UK-based wire service, has just launched Ingenius, a joint venture with Lib-erty Media Corp, to provide a multimedia smorgasbord of

voice overs, photographs,

videos, articles and interactive

lesson plans

Today's adults, many believe, are too set in their ways to become major consum-ers of high-technology multimedia products. "Older people will probably stick to traditional sources like newspapers and nightly news broadcasts for information, although they may dabble in multimedia." says Lewis Friedland, professor in journalism at the University of Wisconsin, Madison. "The market will be shaped by the

kids who grow up using this stuff." Linking up with schools to ensure a future customer base is not a new idea. Apple Computer used the same strategy

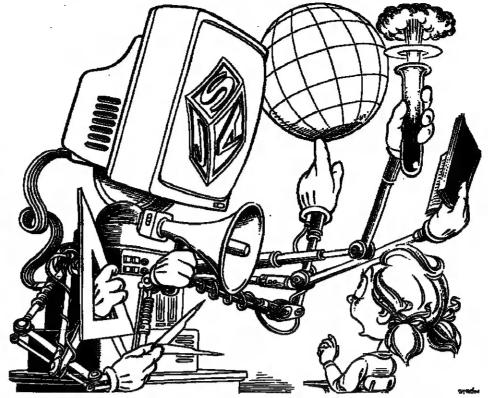
puters to classrooms around the US.

Results, however, were mixed. Young adults today are far more computer-literate than their elders, but that is probably more due to contact they had with computers at home and work than at school. In many cases, the computers Apple provided sat idle for years as teachers tried to figure out how to use them, and how to incorporate them into their curriculum.

We won't have that probiem, because programmes are getting easier to use." says Gerald Bennington, chief exec-utive officer of Ingenius. Yet teacher training remains a concern, and Ingenius has estab-lished a training programme in Denver to encourage use of its

Ironically, the free Apples which brought schools into the computer age may now slow growth of multimedia in the classrooms. Most of the computers in schools today are too basic, for instance, to run sophisticated on-line programmes. "Most schools are pretty out-dated," says Schluk-bier. "Some don't even include the Vietnam war in their textbooks. You have to work with what you have, but it means we can't provide much in the way of CD-Rom film for the computer and other new tech-

Companies are also strug- think the trick is to present a methods," says Alex Molnar,



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gling with pricing issues. The News & Observer, for instance. provides services at no charge in the hope of a long-term payoff. Whittle's Channel One is also free, but runs commercials on its network to garner revenues. Nynex and Reuters, on the other hand, believe schools will pay for a high-quality product. It's a myth that they schools don't have any money," says Bennington of Ingenius. "It's one of the biggest budget items in any state

in the country." Once they get access to the classroom, multimedia news providers have to grapple with the challenge of how to present violent stories to children. "I

story like O.J. Simpson (in which the ex-football star is accused of murdering his exwife and her friend) in a straightforward, non-sensationalist manner, then tie it to real life through a discussion of domestic violence or learning activities, such as the study of the US judicial system," says Katherine King, editor-in-chief

Multimedia companies may also face opposition from edu-cators who doubt the value of the products. "The studies we've done show that children don't learn any more when they're connected to computers and multimedia products than they do through traditional

professor of education at the University of Wisconsin, Mil-waukee. "There's also the question of how to pay for it. US schools don't have lots of money, and if they pay for these products, they have to cut down in other areas. And if it's for free, like Channel One, but kids are subjected to advertisements, that raises all sorts questions about commercialising our classrooms."

Despite the challenges, companies believe that a presence in the schools today is essential to tap the future multime-

For that reason, US classrooms are turning into one of the most important laborato-

The Dutch solution makes use of

secret keys stored both in the phone

either a microchip or smart card -

Indonesia's fixed cellular revolution

By Andrew Adonis

A revolution waiting to happen in the telecommunications industry is the development of radio-based local networks able fully to replace the fixed wire. When it happens, the cost of building and maintaining local connections could plummet, with incalculable consequences for competition and the

developing countries. Like many revolutions, it is unlikely to happen overnight. Radio technology is already integral to telecoms, notably in cellular mobile telephony. Imminent is the development of local radio networks for "fixed" telephones, which are price competitive with existing wireline networks.

In the developed world, such networks are likely to be feature mainly in niche markets. Telia, Sweden's state telecoms company, already provides many of its remote rural subscribers with cellular phones instead of "wireline" connections. Ionica, a private UK operator, plans to launch a nationwide service next year to closely targetted markets.

Indonesia, however, may offer a significant pointer for the developing world. Indonesia boasts 16 telephone lines per 1,000 people. compared with 460 per 1,000 in the UK. This puts it towards the bottom of the telephony league, even in the Asia-Pacific region. To help achieve rapid line growth the Indonesian government has licensed a company to build a "fixed

cellular" network in urban The network is for fixed phones serviced by radio base stations. Connection and call charges will be the same as for conventional fixed-line phones but the monthly rental will be at a premium to reflect the shorter waiting period for connection. It currently takes about two years to get a phone line: Ratelindo, the new fixed

be able to meet demand within months.

Ratelindo, a joint venture between Indonesia's state-owned telecoms operator and Bakrie Electronics, a private company, is licensed to provide 280,000 fixed cellular connections - 250,000 in Jakarta and 30,000 in West Java. In effect it is competing with the state operator, and hopes to have made 50,000 connections by the end of the

Ratelindo's fixed cellular system - supplied by Hughes a US manufacturer - is a flexible overlay network based Ratelindo claims that it provides a voice quality equal to that of a fixed-wire

phone. Hardianto Kamarga president-director of Ratclindo. ails the Hughes system as a breaktbrough. He claims it is "the most spectrum efficient digital cellular technology commercially available today, with about three times the capacity - that is subscribers per base station - of GSM, the digital cellular mobile system

used in Europe.
"The fixed cellular system
has a subscriber capacity equal to between 10 and 20 per cent of the fixed network," says Kamarga, As for the cost: "land-line telephones are inherently less expensive than comparable wireless systems for the same traffic capacity, but in the operating environment we have in Indonesia the balance can swing in favour of

Put bluntly, that means a price-competitive service can be provided because of the inefficiency of the existing state operator. Yet the same is likely to be true across the developing world. For 280,000 Indonesians, the immediate choice is a fixed

cellular phone or nothing. Faced with the same choice, millions on waiting lists across Asia, Africa and Latin America may embrace fixed cellular phones with alacrity.

System to block fraud on stolen mobile phones By Alan Cane of course, the fraudster has moved on.

Do. Mezzanine FRN 1996

Mansfield Brewery 3.15p Natl. & Provincial Bidg. Soc. FRN '99 £133.90

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■ THURSDAY AUGUST 18

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Scottish Met. Prop. 101/496 1st

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Mtg. Db.'16 £5.125

Shanks & McEwan 1p

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Anglo Am. Inv. Trust 6% Gross

Hot weather invites open car windows and sunroofs. Sadly, natural ventilation also makes it simple for the thief to make off with the car owner's mobile phone.

When other kinds of portable phone thefts are added in, the numbers become startling; the Federation of Communication Services estimates around 15,000 phones are stolen each month in the UK alone.

The Metropolitan Police has set up a special unit to tackle the problem.

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SEEBOARD 8.45p

Rate Nts. \$143.75

FRN \$199.54

2000 \$130.97

Critchley 5.5p

Brit. Funda 21/2% IL Treas.

Cropper (James) 2.4p

Portable phones can be "hot" in more than one way, however. More insidious than the hand through the sunroof is electronic fiddling with the phone's identity, making it possible for a fraudster to run up huge

telephone bills which are then charged to somebody else's account. The phone does not have to be stolen; a legally purchased phone can be altered so that calls made on it are charged elsewhere.

Called "rechipping", changing the electrical identity of a cellular phone is not illegal in the UK, although the

THE WEEK AHEAD

FCS is calling for urgent changes in the law to act as a deterrent.

The problem is more acute for earlier analogue phones than the more recent digital versions. Now the Dutch telephone authority has developed a technology which it suggests is one way to solve the problem. The Anglo Dutch computer services company CMG has recently installed the system in Scandinavia where the mobile phone systems are linked. In the UK and Scandinavia, it recognised by a registration number

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■ SATURDAY AUGUST 20

SUNDAY AUGUST 21

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NatWest Bank Undated Var.

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rather than an electronic identity check.

The essential difficulty is that there are perfectly good reasons why a mobile phone may need to be programmed with a new registration so the manufacturers leave open an electronic channel to the heart of the system. Fraudsters take advantage of this channel to create "clones" of existing phones. The genuine subscriber only realises what is going

on when a huge bill arrives. genuine phone and clone but by then,

and in the local exchange. A system of linked computers manages the distribution of the keys. If an exchange identifies a phone as genuine, it allows the call; otherwise use of the phone is blocked. If the subscriber is "roaming" or using the phone outside the local exchange

area, key information is transmitted over the network to identify the cellular operator, claims it will

ARCHITECTURE

Sense and sensuality

Italian designer Ettore Sottsass talks to Alice Rawsthorn

at the sight of a woman walking by in a pretty pink slip of a summer dress. "Aaaaargh!" cried the septuagenarian designer with an animalistic groan. "Look at that girl! Just look at her! She's almost

It is a testimony to how charming Sottsass can be that he can utter such an unashamedly sexist remark without making you hate him. But Ettore Sottsass has a great deal of charm indeed. At 76 he has the serene, sunny air of a man who has spent his life doing, well, probably exactly what he wanted: first as one of the bright young designers and architects who made waves in post-war Italy and latterly as a grand old man of European

design. He has just arrived in Parls in his grandee guise to open a retrospective of his work at the Pompidou Centre. He plays the

role to perfection. He stood smiling at his opening party, looking like a sci-fi sorcerer, with his tightly-plaited ponytail, blowing air kisses at some guests and autographing catalogues for others. Now he is sipping a chilled beer on a café terrace opposite the Pompidou, ogling the Parisiennes as they saunter into his

"It's strange to have a retrospective of your work while you're still alive," he says. "At first I didn't like the idea at all. It made me feel old and empty. It was as if I was dead and people were peering into my grave." How does he feel about it now? "Sad, very sad. It's such a big exhibition. So full of things. I look at it all and think what a waste. Why did I spend so much time working? I should have spent more time living."

Sottsass is not at all convinc-

ing when casting himself as a repentant workaholic: particularly as he goes on to rattle off a list of the Chinese houses, Sevre vases and other projects vying for space on his drawing board. But the scale of his retrospective is undeniably impressive. It fills two floors of the Pompidou Centre, covering his entire career from the workers' houses he designed with Ettore Sottsass Snr. his architect father, in the late 1940s, to the post-modernist



Sottsass: a man who has spent his life doing what he wanted

playpens he has been creating for his wealthy Japanese clients in the early 1990s.

The exhibition might begin and end with his buildings, but Sottsass has been most influential as an industrial designer and it is his designs that steal the show. He dabbled in fine art and architecture during the late 1940s when he returned to Italy from the Sarajevo prison camp where he spent most of the War. But his interest in design was kindled by a 1956 trip to the US, where he worked with George Nelson, one of the most innovative furniture designers of the era.

Sottsass's timing was per-

fect. The Italian companies of the 1950s saw design as an essential tool with which to establish themselves in the international market. They were eager to tap the talents of Sottsass and his fellow designers - Vico Magistretti, Marco Zanuso and the Castigilioni brothers. Sottsass was snapped up in 1958 by Olivetti, the electronics giant, to work as artistic director alongside Roberto Olivetti, the founder's son.

Olivetti was then making the transition from mechanics to electronics. "It was an era of great change," says Sottsass.
"Some people in the company tried to resist those changes and mistakes were made. But it was an exciting time." It was also a period that produced some of his best work, when he reinterpreted the ideas of the 1960s pop artists - Roy Lichtenstein and Andy Warhol, whom he had befriended on his trips back to the US - into typewriters and calculators.

One of his most popular products for Olivetti was the Valentine, a pretty red portable typewriter that he designed in 1969. Sottsass now says that he never really liked it. "It's too obvious," he pouts. "It's a bit like a girl wearing a very short skirt and too much make-up. It's a perfect piece of marketing. After the Valentine I told Roberto that I'd only do office machines."

He feels happier about another high-profile project -Memphis, the group of furniture designers, including Michele de Lucchi and Robert

Graves, with which he collaborated in the early-1980s. Memphis shared the same bright colours and bold forms as Sottsass's 1960s and 1970s furniture. But he was then seen as something of an iconoclast, whereas Memphis was absolutely in tune with its time. It provided the media with a very photogenic form of the postmodernist theories, then fashionable in academic circles. Memphis really meant something," says Sottsass. "It was clear and uncompromising. That's why it was important at the time and why it still

pleases me today." Memphis was also one of the clearest expressions of Sott-sass's own ideology. He owes his importance as a designer partly to his direct influence over younger collaborators and partly to his indirect influence over others, notably Philippe Starck, as one of the intellectual 'guerrillas', whose ideas helped liberate post-war design from the tyranny of Bauhaus austerity.
"When I was young all we

ever heard about was functionalism, functionalism, functionalism," he says. "It's not enough. Design should also be sensual and exciting: something that is really challeng-

ing."
The least successful aspect of the Pompidou retrospective is its attempt to express the theoretical side of Sottsass's work by displaying his photographs with accompanying essays. Some of the photography works, such as the 'Design for the Rights of Man' series of still lives that he took in the early 1970s and which even today are scathing satires on

conspicuous consumption. Yet the random snaps of trees or doors are of no more than passing interest. And the entire exhibition would be better off without the post-coital shots of hotel beds recently rumpled by the great designer. "I really wish I hadn't looked at those pictures now," winced one young visitor after reading the explanatory text. Perhaps she should have taken heed of the title Sottsass had given to one of his latest glass pieces the Naomi Campbell.

The Ettore Sottsass retrospective is on show at the Georges Pompidou Centre. Paris until

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THURSDAY AUGUST 18 COMPANY MEETINGS: Avesco, Venture House, Davis Road, Chassington, Surrey, 11.00 Bristol Scotts, Bristol

Stadium, Eastgate Centre, Eastville, Bristol, 12.00 Burtonwood Brewery, Rake Hall Hotel, Rake Lane, Little Stanney, Nr. Chester, 12.00 China Investment Trust, Knightsbridge House, 197 Knightsbridge, S.W., 11.30 Southern Water, The Dome, Brighton, 11.00 BOARD MEETINGS:

BBB Design Grp. Staneico Syndicate Capital Tst. Interims: City Centre Restaurants Clarke (T.) Dawsongroup English & Scottish Inv. Kode Inti. Personal Grp. Richardson Westgarth

E FRIDAY AUGUST 19 COMPANY MEETINGS: Drew Scientific, College Street, 29 Gresham Street, W., 11.30 Fuller, Smith & Turner A,

Griffin Brewery, Chiswick Lane South, Chiswick, W., 11.00 TR Technology, 3 Finsbury Avenue, E.C., 12.30 BOARD MEETINGS: Lazard High Income

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Interims:

Jourdan (Thomas)

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PEOPLE

The colonial comes home

Simon Davies and Louise Lucas examine the challenge facing Nigel Rich at Trafalgar House

have been far worse than the

arrives at his desk as chief executive Trafalgar House this morning he will be facing the greatest challenge of his career.

It is not the most obvious promotion to move from the helm of Jardine Matheson, the Hong-Kong conglomerate with a market capitalisation of E3.92bn a year, to run Trafalgar House, an ailing British group with a market value of £1.5bn. Jardine Matheson enjoyed

five years of profits growth under his leadership. But running Jardine is a very different task from turning Trafalgar

Jardine's main difficulties during his reign centred on the uncertainty created by the transfer of Hong Kong to Chinese sovereignty in 1997. The group's own politics are dic-tated by the London-based Keswick family, which exerts a control over the group belied by its stake of less than 10 per

Jardine controls a myriad of South East Asian businesses, but the Keswicks have long been concerned about the political risks inherent in the 1997 hand-over of Hong Kong.

In 1984 they took the highly controversial step of moving Jardine's domicile from Hong Kong to Bermuda, and ten years later the company decided to move its stock market listing to London.

The purchase of an initial 15 per cent stake in Trafalgar in October 1992 was another step in the group's perceived move away from the colony. Hongkong Land, the Jardine property arm, now owns 29.6 per cent of Trafalgar, and has invested more than £300m to buy the stake.

Trafalgar was intended as a route by which Hong Kong profits could be channelled into a troubled conglomerate which it was intended would recover with the turn in the British economic cycle.

Keswicks expected and Rich is of being asked not only to restore the group's profitability but also the family's reputation. For Rich, thus far, has been very much the Keswicks' man. The switch will be a culture

shock for him. He is leaving the cosy club atmosphere of Hong Kong's business community, where he sat at the helm of two of the colony's three most powerful institutions -Hong Kong & Shanghai Bank, where he was a director, and the Royal Hong Kong Jockey Club, where he served on the board of stewards.

He will also have to give up the Hong Kong races, a central feature of the colony's corporate life. Together with Paul Selway-Swift, a friend and director of Hongkong Bank, he owns a horse called Rock'n'Reel and has ambitions to own more. But in fulfilling a long-stand-

ing desire to return to the UK he is set to become a member of an even more exclusive club, the Jardine group's UK-based strategic core. This comprises brothers Simon and Henry Keswick, who alternate as Jardine Chairman, and Rodney Leach, a long time adviser and fellow director who is a former Rothschild's banker.

Born in Somerset, but a selfavowed Scotsman, Rich, now 49, went to Sedbergh School and New College, Oxford, before training as an accoun-

He joined Jardine in 1974, aged 29. Armed with his Scottish background - Scottish culture is a strong feature of corporate Hong Kong - he spent 20 years as the archetypal colonial corporate man, operating from the various outposts of Jardine's Asian empire.

He ran the group's busi-nesses in the Philippines, the majority of which were acquired in the early 1970s through the takeover of Theo H. Davies, the sugar and trad-Early hopes have not been ing group previously owned by

Then Nigel Rich fulfilled Trafalgar's problems the family of his wife Cynthia. He first rose to prominence within Jardine in 1963 when he became finance director of Hongkong Land, the colony's leading property investment and development company, which was then teetering on

the brink of collapse. There he cemented his relationship with Simon Keswick, for whom he had aiready worked as an assistant. Keswick had been rushed back to Hong Kong as a hands-on nonexecutive chairman to protect the family interests in Hongkong Land which had mas sively over-extended itself with HK\$13.5bn of debt by the end of 1983 when property prices

Rich's relationship with Simon flourished with the recovery of Hongkong Land, which involved substantial lay-offs, asset disposals and refinancing, masterminded by Rich and David Davies, the managing director. Rich's reward was the post of chief executive three years later. In 1989 he rose to the pin-

nacle of the Jardine Matheson group as "taipan" where he became immersed in the political controversy which has dogged the group since it decided to move to Bermuda. Since it had been the first trading house formed in Hong Kong, the change of domicile by the so-called "princely hong" drew harsh criticism from almost every quarter in

the colony.

During Rich's reign, the criticism escalated with Jardine's campaign to move its primary listing to London, which culminated in the decision earlier this year to quit the Hong Kong exchange altogether. All this and the Keswick family's support of Governor Chris Patten's political reform plans, led to Chinese accusations that Jardine was undermining the

stability of the colony. Rich endeavoured to keep out of politics, and was seen as a strong business manager, well respected by the senior

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tailed engineering, procurement, construc-tion, training of skilled workers and plant

operators, plant start-up and operation, product marketing assistance.

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asibility studies, conceptual design, project financing arrangements, commercial

THE FUTURE



management team in Jardine's broad spread of busines At Trafalgar, he will at least be able to focus entirely on business, but he is certainly

arriving at a time of crisis. In May last year, Hongkong Land completed a boardroom purge with the removal of Trafalgar's remaining old guard: Sir Nigel Broackes, the group's founder and chairman, and Sir Eric Parker, the chief

Insiders say it has lacked a sense of direction since. The company stated that it wanted to focus on engineering and construction - businesses where it is a world leader - but it failed to get acceptable prices for the hotel and cruise line businesses it had wanted to sell.

A stated aim of winding down the group's property development and investment businesses has also diminished. The recruitment of one of the city's leading property men, Alan Winter, suggests that property will remain a

Meanwhile, the economic recovery is yet to feed through to Trafalgar's engineering arm, which made a further £15m of provisions last month, in addition to the £397.3m exceptional losses taken by the group late

last year. Rich will be expected to develop and communicate a new strategy and focus to the somewhat demoralised employees. Already, analysts are increasingly confident that profit margins in its construc-tion and engineering division have bottomed out following substantial cost-cutting and job losses.

However, the share price has scarcely risen above the 850 level at which Hongkong Land launched its "dawn raid" back in October 1992.

There must be those within the Jardine camp who would question the wisdom of this investment. Rich has been brought in by the Keswicks to prove them wrong. He is not one to shirk a chal-

lenge. Last year he took part in one of Hong Kong's more bizarre rituals, the annual MacLehose Trial, which involves walking 100km of mountainous trails. The trail ahead with Trafalgar will be equally arduous.



Heirs to two fortunes seek to do good

When the Prince of Wales, the heir to the British throne, holds his next business leaders forum in Los Angeles in November, check who is at his elbow, writes William Hall. Tucked away aloneside the great and the good from US blue chips such as American Express, Coca-Cola and Atlantic Richfield is likely to be the relatively unknown heir to a family fortune which is said to be many times bigger than that of Britain's royal family.

Ross Perot Jnr, 34, the only son of the self-made Texan billionaire who spent \$60m on running for US president in 1992, has joined the board of the Prince's four-year-old Business Leaders Forum. Its mission is to promote the practice of good corporate citizenship and sustainable development internationally as a natural part of successful husiness operations

Ross Perot Jnr's background is very different from that of his 64-year-old father, who was the son of an East Texas horse-trader and started out as a humble IBM computer salesman after he left the US Navy. He formed Electronic Data Systems in 1962 and sold it to General Motors in 1984 for \$1bn. Perot Snr, said to be worth \$2.4bn, remains one of the most colourful business tycoons in the US.

His son, by contrast, has a much more conventional background. After leaving the US Air Force, he joined the family business and now owns and runs the Dallas-based Hillwood Development Corporation. It develops and manages mixed-use residential and commercial real estate in 15 US cities and has 23,000 acres under development. It has also worked with 20 or so big corporations on

infrastructure projects to revitalise South Dallas.

The Prince's advisers hope that Perot Jnr will use his experience to help champion sustainable development in urban areas which might be relevant on a wider scale in countries like China.

Perot's involvement with the Prince of Wales's Business Leaders Forum is yet another sign that he is starting to make his own mark in business. Last year, he acquired another status symbol when he bought the Circle T ranch, once the weekend retreat of Nelson Bunker Hunt, the fallen oil and silver billionaire.

As the late Armand Hammer, the founder of Occidental Petroleum, realised, being seen rubbing shoulders with the future King of England is good for business.

Pascale's rapid rise up the line

The recent reshuffle at Italy's state holding companies has seen Ernesto Pascale promoted to the post of managing director of Stet, the telecommunications holding company which should be privatised within the next ear, writes Andrew Hill

Only three months ago. Pascale, 59, was named chairman and managing director of Telecom Italia, the newly formed Stet subsidiary which groups together all Italy's telecoms operating companies, including Sip, the domestic operator where he had been chairman for the previous three years.

But then last month, Michele Tedeschi, Stet's managing director, was asked to take over as chairman of Iri, the state holding company which is Stet's parent. Pascale (below) has now stepped into Tedeschi's shoes, and will play an important role - in tendem with Tedeschi - in the co-ordination of what some



analysts refer to as "the mother of all Italian

privatisations". Only the timing of Pascale's move was unexpected; otherwise the promotion was in line with his steady rise through the Italian telecoms sector. Pascale joined Stet in 1956 straight from university in Rome. He transferred to Sip in 1977, and also worked for more than seven years as managing director of Italcable the telecoms company now

part of Telecom Italia. His combined chairman managing director job at Telecom Italia has been split between Umberto Silvestri. who took over as chairman earlier this month, and Francesco Chirichigno, who has become manuging director.

Dunlap: no paper tiger

Albert Duniap, turnround expert and long-time cohort of Sir James Goldsmith, is anything but a paper tiger. writes Laurie Morse. A qualified paratrooper trained at the US Milltary Academy at West Point, Dunkip has made career out of setting companies right, regardless of the waste laid round him in terms of jobs lost and divisions decimated.

He has been described most clearly as a shark, and was once quoted in an interview as saying emotions have no place in business. His dispassion hand is credited with pulling Lily-Tulip from the brink of collapse, and was employed by Sir James in the turnround of Diamond International and Crown-Zellerbach. He remains on the board of Sir James' General Oriental Investments, and recently returned to the US from Australia, where he was ceo of Consolidated Press Holdings.

In April, Dunlap landed in the chairman's seat of Philadelphia-based Scott Paper where he is already ripping away at the soft underbelly of its tissue paper business. When he arrived, Scott was embarking on an aggressive restructuring that would have cut 9,300 jobs over a period of two to three years. Dunlap quickly modified that plan, boosting the job cuts to 10.500 - or about one-third of Scott's worldwide total - and accelerating it so as to complete it by the end of this year. The restructuring is expected to net Scott benefits excess of \$400m.

CONTRACTS & TENDERS

LEBANESE REPUBLIC COUNCIL FOR DEVELOPMENT AND RECONSTRUCTION

TUNNEL HARET HREIK - SAND'S INVITATION FOR TENDERING

In the scope of Beirut Southern Suburbs Utilities Upgradings, and according to the Law No. /246/ dated 12/7/1993, the Cosmell for Development and Reconstruction invites qualified contractors for tendering for the execution of Haret Hreik-Sand's taused to discharge the storm water in Beirut Southern Suburbs.

The main works include the following: A Tunnel from HARET HREIK to HORSE EL KATIL, \$80m long approx., with an inside circular dismeter 3.6m.
A Tunnel from HORSE EL KATIL toward the sea with 965m long approx., and an inside circular dismeter 3.6m.
A rectangular Box culvert from the end of the Tunnel to the sea with 530m long approx., and an internal Cross

section with a width of Sm, and a depth of 3.2m.

A rectangular Box culvest from Bir El Abed to the entrance of the funnel at Haret Hrells. 900m long approx., and an imide circular dismeter of 5.6m.

Special Complementary structures for the tunnel such as : the entrance of the tunnel at Haret Hreik, the junction between Haret Hreik tunnel and Saud's Tunnel at Horsh El Katil, the transition section between the circular section of the tunnel and the rectangular box cuiverts, the sea outlet near the Sand's beach, and other structures. The Complementary Works includes : reconstruction of roads, sanitary sewers, storm water sewers, side walks and

others works resulting from the execution of the project. indepers should meet the conditions specified in the tender documents related to the project.

The contractor has executed during the last 20 years for the Lehanese contractors, and during the last 5 years for the foreign contractors, systems of underground urban utilities in the same importance of the current project which includes taustel works not less than 3000 meter long and not less than 3 meter in disaster.

The earth works and the lost culverts executed by the contractor in the last 20 years for the Lebanese contractors, and the last 5 years for the foreign contractors, should amount for not less than twenty five million U.S. dollars which includes a single Box culvert project for not less than One million U.S. dollars. in the case of joint ventures between different contractors, at least one of the contractors in the group has to meet the conditions stated above in the paragraphs A and B, provided that all the contractors within the joint venture have executed works during the last 20 years for the Lebanese contractors, and during the last five years for the foreign contractors, amounting for not less than five million U.S. dollars.

amounting for not less than five million U.S. dollars.

Tenders must be submitted inside two separate senied envelopes:

The first envelope shall contain the completed qualification documents contained in the Tender Documents for this patapose and any other supporting documents proving the technical and financial ability and experience of the Contractor. The second envelope shall contain the commercial proposal.

The Tender Committee shall proceed, in a public session on Friday 14 October 1994, with the opening of the first envelope only and establish the ability and experience of the Contractors. The Committee shall retain only those Contractors who qualify to execute the Project and shall return the Tender Documents of those Contractors who do not availify.

The Tender Committee shall then open the second envelope of only those Contractors who have qualified publicly at a

the request continuous and then open an occount execute or only made to continuous and an open and open an object and time to be amounted in due time.

Contractors who wish to participate in this Tender are invited to collect the relevant Tender Documents against a sum of U.S. dollars (\$ 5000) in the Form of a banker's certified Cheque in the name of the Council for Development and Reconstruction at the offices of C.D.R., during official working bours as of Friday, August 12, 1994 at the following

itted at the above address not later than 12:00 hours soon Beirut local time at the offices of

Tallet Al-Suray Belrut - Lebanos

C.D.R. on Friday October 14, 1994

LEGAL NOTICES

FINANCIAL TIMES EAST EUROPEAN MARKETS

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FINANCIAL TIMES

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PRODUCTS HOLDINGS LIMITED
Notice of Resolution for payment of expital
NOTICE is because for payment of expital
NOTICE is because in accordance with
section 175 of the Consporation Act 1985 that
i. the above sumed company ("the Company")
has approved a payment out of capital for the
purpose of sequency 4,756,000 ordinary shares
of it each;
2. the amount of the organizable capital natures

Company Number: 241400 SCHERING INDUSTRIAL

purpose to securing 4,7-50,000 ordinary shares of £1 each.

2 the amount of the permissible capital payment for the shares in question is £4,756,000.

3, the chie of the resolution for purpose out of capital is 10 Angest 1994.

4, a strantery declaration of the directors of the Company and auditors' report required by sections 173 of the Company's replaced office;

5, any creditor of the Company's replaced office;

5, any creditor of the Company any at any time within the 5 weeks immediately following the clate of the resolutions for payment on of capital apply to the court under section 174 of the Continuates Act 1965 for an order prohibiting the payment, and

6, the registered office of the Company is at The Brow, Bargean Hill, West Source, RH (5 9NE).

Company Number: SCHERING INDUSTRIAL PRODUCTS LINGTED

SCHERING INDUST STARS.

PRODUCTS LIBETCED

Notice of Resolution for payment of capital

NOTICE is hereby given in accordance with
section 175 of the Company ("the Company")
has approved a payment out of capital for the
purpose of purchasing 4,600,000 ordinary stares

of E1 each;
2 the amount of the permissible capital payment
for the stares in anestron in E4,600,000;
3, the date of the resolution for payment out of
capital is 10 August 1994;
4, a statuncy declaration of the directors of the
Company and auditors' report required by section
173 of the Companies Act 1955 are available for
inspection at the Company's registered office;
5, any creditor of the Company thay at any time
which the five weeks sumedistely following the
shoot of the regolation for payment out of capital
apply to the court ander section 176 of the
Companies Act 1985 on order providing the
payment, and

Company Number: 234; SCHERING BOLDINGS LIMITED SCHERING BOLDINGS LIMITED

Notice of Resolution for payment of capital
NOTICE is hereby given in accordance with
section 175 of the Companie Act 1985 that

I, the above named company "the Company"
has approved a payment out of capital for the
purpose of purchasing 70,000,000 "8" ordinary
shares of it each; and of redocating, 77,000,000
redocatable shares of I cach;

2, the amount of the parmissible capital payment
for the shares in guestion is 287,000,000

3, the date of the resolution for payment out of
capital is 10Amgran 1994;

4, a standary declassing of the directors of the
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6. the registered office of the Company is at The Brow, Burgers Hill, West States, R115 ONE.

Company Number: 24.14036

SCHERING AGROCHEMICALS

HOLDINGS LIMITED

Notice of Resolution for puyment of capital

NOTICE is bereby given in accordance with
section 173 of the Companics Act 1985 their
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barea in quantism is DS. 184,000;
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LEGAL NOTICES

NOTICE OF PUBLIC

THE PARLIAMENT OF THE REPUBLIC OF SLOVENIA

hereby notifies interested nal auditing firms that it has published in the Official Gazette of the Republic of Slovenia No. 48 of August 5, 1994.

A PUBLIC TENDER

laviting bids from international ing firms to perform sudits and submit reports on the use of financial assets and other assets owned by enterprises and banks undergoing financial reconstruction as well as on transfers of figurally assets of suspected legality performed by the

An evaluation is expected of whether transactions were genuine and prices and conditions were at arm's length and not to the detriment of socially owned assets and of whether illens removal of socially owned and corporate capital took place.

The purpose of the investigation is to determine whether and to what extent public interest has been damaged and whether such damage has been caused by cooperation of persons with delegated public authority.

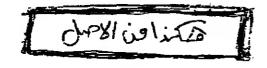
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HELSDAKT

This year's Helsinic music line has a strong British slant. After the opening performence of Mes he Opera House on · · · Sunday, the programme offers a ballet by Johann Kresnik inspired by the guildings of Francis Bacon eff, a performance of Britten's Nocturne by Neil Macke and a pair of London Simonistia concerts devoted to music by Birtwistle and other

contemporary British Composers, Juidia-Pakke e conducts home forces in Melder's Eighth Symphony, and there is a

ARTS

Phis is Step McMaster's Wirdyner in change of the average these was Edinburgh Festival, which operad yesterday, Several of the enters appearing to this tree week are returned. affet their successes to one or both of his two previous feeligats. Charles Meckeness tegein constraints a Mozaet.co n concert while preparing it for a recording); the mezzo Olga odina (in recital) and soprano Galirin Gorchale

The first Mann's Bullet performs on all Balanchine programm at the cavernous Playhouse Beatre, and August 20. Then as August 20 and 24, Mark Moris presents his masterplace. "L'Allegro" at the ce-turbabet and excusions Pentivel, Theology should be unlessed.

Thinking choses destinaver gell as one of this year's teatured composins. Editionary has nonsheled Wednesday by leatured composins. Editionary has nonsheled Wednesday by Fidelio" day, This difficult gestation of Beathovac's only opera will be examined through lectures and concepts, including a performance of "Leonine", in the evening the programme calculations with "Edelio" likely in Scottigh Opera's new production, directed by Tim Albery.



The Lucerne Festival has broken off some of the cince Matthias Barnert (eff) bacame director in 1992. This year's programme; starting on

Necineadity, includes a 70th birthday bibute to avent-perde Swiss composer Kissus Huber, a street-music isstival and a concert form. But the feativel's main attraction ged to its beautiful lakeside autling continues to be its enviable line-up of front-



THE BARBICAN The precipitative plano style of young jazzer Julian Joseph is applied to a performance di Garshwin's Piano Concerto in F with the Royal Philhamnonic Orchestra on Saturday, The weekend showing at the Barbican Hall also has Joseph in an improvised duet with Joanna MacGregor and some new arrangements on his own compositions. On Sunday, he reverts to tamiliar trio and big

Prurience or the pursuit of truth?

Biography is one of the most popular literary forms. But, says Jackie Wullschlager, its days may be numbered

it should never have been written. The critic Dame Helen Gardener called it "a directory for consenting adults." From the liberal Bloomsbury Set came calls for wholesale suppression. But thousands of readers lapped up its story of homosexual love and intrigue, and it changed the face of post-war British

The book was Michael Holroyd's life of Lytton Strachey, first published in 1967 and re-issued, with much new material, next week it is still a marvellous read, and its fresh crop of sexual details - chiefly about the amorous triangle of Strachey and artists Dora Carrington and Mark Gertler - continue to interest. But this time round Hol-royd's revelation will barely raise an eyebrow, because the liberal blographical climate which the book engendered in the 1960s has now

No book since Strachey's own

thought Emment Victorians in 1918 has had a greater effect on the way we inter-pret and reconstruct past lives, and to trace the joint influence of Strachey and Holroyd on modern biography is to trace a revolution both in our attitudes to sex and to art, as in our growing fixation on the private lives of public figures. Is the tradition they began still a lib-erating force in British culture, or has it now gone too far?

In 1918 Strachey blew the whistle on the earnest, tip-toeing Victorian style of biography with his sarcastic account of 19th century icons as Florence Nightingale eral Gordon. Half a century on, Holroyd's biography of In an turned Bloomsbury writer, bringing to the lumine methods II interpretation which Strachey's purring had only implied. Discussing Strachey's affair with Duncan Grant, the madcap proposal to Virginia Woolf - "I was in terror lest she should kiss me" - and the effect of schoolboy crushes on his neurotic experiences,

individual could only details, the inner life as well as the output achievement. "Rather wonderful and terrible how all that can now be said," Namey Warney of the book. Modern literary publishing for

good and ill, has never looked back. On the one hand, Holroyd's spirit of openness and his elegant novelistic style, burst the floodgates of biographical restraint and made biography a popular, best-selling genre. Its highlights includes some of the best books of the last 30 years, such as Richard Ellmann's life of Oscar Wilde, Victoria Glendinning's Trollope, Lyndall Gordon's Charlotte Bronte - all exquisite accounts of the personal lives of writers within the content of their work and times.

On the other hand, many recent books suggest that the post 1960s tradition of tolerant, revealing biography is entering a last, decadent phase in which all that matters is

an artists sex life. Extended speculation on the sexual habits of Hardy and his second wife, for example, made Martin Seymour Smith's massive scholarly biography of the writer, published this year, a joke. Recent lives of Picasso and Brecht chronicled their lovers rather than their work. And as new biographi-cal subjects run out, lives of wives and girlfriends - Lawrence's women, Madox Ford's lover, Flaubert's mistress - replaced them, licensing pages of dull pillow talk. Where Holroyd or Ellmann made biography an art form, the tail end of their tradition is degenerating into vulgar tittle-tattle.

It is no coincidence that Holroyd and Ellmann's masterpieces are both about homosexual satirists, Strachey and Wilde, who spent their lives trying to change social and sexual attitudes. Strackey and Wilde's homosexual affairs, outri poses, the flirtation with scandal marked them as outsiders and were bound up with the mockery of repressive convention in Mair

works such as Eminent Victorians Holroyd's 1967 biography so inflamand The Importance of Being Eurnest. As sexual pioneers, their biographies cried out for a link between life, art and the wider social panorama, and it is this which makes Holroyd's Struckey and Elimann's Wilde so entertaining and signifi-

But take away this dimension, catalogue Hardy's efforts to stimulate her ageing husband, or Picasso's pick-ups, and you an last a dull quasi-pornographic record masquerading as a dous book. For what makes sex on the page subversive and interesting is social context. F.R. Leavis to fall his scalemen that Strachey was responsible to the outbreak of the second world war; Paul Johnson has argued that by destroying patriotism, Strachey created a national emptiness which became the homosexual recruiting ground at Cambridge for Soviet

It was these sort of links calling and sexuality first make matory. In 1994, Holroyd's new material on Dora Carrington, Strachey's adoring companion, and the second half of the book is now also m biography of her. She attracted to their home the sort of virile, charismatic young men that Strachey loved and married one of them to ensure that their menage Eventually, wrote, a lesbian affair "killed my desires for Garçons pretty completely," and when Strachey died, she shot herself.

This tumultous tale has much gloss and few social reverberations, and is the weakest part of the book. But so have flamboyant private like Carrington's become for their own sake, that this new section has immediately been seized upon to enter 1990s mainstream culture; a film, Carrington, directed by Christopher Hampton, starring Rmma Thompson and Jonthan Pryce, is to be made of it and will open was spring. Nothing shows more clearly the revolution in our attitude to private lives that Strachey's and Holroyd's work has

effected this century. Strachey first weaved sex into cultural criticism - of Virginia Woolf to The Lighthouse, he complained that "It is the lack of copulation that worries me" - at a time when it was radical and provocative to do so. Now the pendulum has swung the other way, and our culture goes so far as to judge public or artistic achievement by private affairs, hence the biographies which dismiss Picasso's painting or Brecht's plays because their creators were irresponsible in bed, or the lives of Flaubert's and Madox Ford's lovers, which accord their subjects artistic status because they alept with great writers.

Since "Lytton Strachey" appeared in 1967, there have always been those keen to curb this prurient interest - from a Spectator article in 1968, warning that fears of Stracheyesque indescretion would lead potential biographical subjects to destroy letters and journals, to the Lord Chancellor's 1993 consultation paper on The infringement of Privacy, which recommended restriction of published material causing "substantial stress, to relatives or descendants".

For the biographer, this form of censorship would be disastrous. But contemporary biography more endangered by its own trends towards sex'n'shopping l than by outside restrictions. The new edition of Holroyd's classic biography (Chatto £25, 780 pages) looks as bright and undated as if it were written this morning - a tribute to its style and insight, but also a comment on the fact that no new biographical tradition has emerged since the 1960s. Where is the Michael Holroyd, or indeed the Lytton Strachey, for the 21st

Theatre Under Their Hats

■ Under Their Hats, ■ compilation of pieces by Flanders and Swann III King's IIII Islington, deviser Alan Strachan has been rash enough to include spoof on the old D'Oyly

Carte Opera Company. Why does Gilbert and Sullivan still have bite while much of Flan-ders and Swann is inoffensive? Perhaps because the Victorians were attack, though they stalls. Fianders and Swann look on the audience as their accomplices and a cosy conspiracy results. At its includes whimsy. It can patronise the safely non-theatre-go-ing ("The Gasman Com-eth"). The double bluff of the "Song of Patriotic Prejudice" bespeaks the true complacency of nationalism by apparently laughing at it. And a certain philistinism is taken for granted in the audience, even in the "Guide to Britten" despite its neat turns of phrase ("Albert Herring was pickled and cured").

Yet just when you are damning the entertainment as irredeemably middle-class and hopelessly English up pops something extraordinary; a song prompted by the announcement that the result of stockpiling nuclear arms was a total of "twenty tons of TNT" for every human being in the world. The song is magnificent in its controlled anger and urgency; as scathingly deadpan

as anything by Brecht.
In Wandy Toye's production two women and four men mix bio-graphical detail with the comedy. There emerges a gentle idealism. This is less apparent in the innocent political mockery of "There's a hole in my budget" than the ironic self-congratulation of countryside polluters ("The Bedstead Men") and the exhaustingly dedicated modishness of "Design for Living" ("We're terribly House and Garden").

Above all, there are the animals. The well-loved hippo of "Mud" and the gmu of course, but more interestingly the wistful, the lonely and the yearning. Susie Blake adds a Chekhovian dimension to her musings on what she might have done if she hadn't been a sloth, hanging upside-down. And I had forgotten the extraordinary, sad surrealism of "The Armadillo", a fey tragi-comedy

worthy of Edward Lear.
Of the big set pieces, Stefan Bed-narczyk displays extraordinary breath-control in the famous Mozartian "Ill Wind" ("I bought a French horn..."); and in "Los Olvidados" Moray Watson describes the olive-stuffing festival in terms the bull-fight with a serious sense of the ridiculous that almost disguises its contempt for the corrida. You realise that quite a lot of satirical edge can be blunted by cheerful humour. Perhaps and Swann with the state

Martin Hoyle



Detail from Dora Carrington's portrait of Lytton Strachey, finshed at the end of 1916

INTERNATIONAL

BERLIN

 Meximilien Schell stars as Professor Higgins in a German-language staging of My Fair Lady directed by Frank Dunlop. Daily except Mon at the Schiller Theater (030-313 5031)

 The annual open-air Shakespeare production at Freilichtbühne Zitadelle in Spandau is Romeo and Juliet, it runs till Aug 30 (030-331 6920) A new choreography by German

choreographer Susanne Linke opens at Hebbel-Theater on Fri, as part of a dance testival running till Aug 28 (030-251 0144) Pink Floyd gives a concert at

Maifeld Clympia Stadium on Sun, followed by Phil Collins on Sep 1 (030-809800) The 1994 Berlin Festival (Aug

30-Sep 29) includes performances by the Berlin Philharmonic Orchestra under Abbado, Barenboim, Boulez and Tennstedt, plus recitals by Politini, Brendel and Christa Ludwig, guest performances by St Petersburg's Maly Theetre and a focus on the music of Berthold

Goldschmidt (030-2548 9250)

COLOGNE

The new season at the Philharmonie begins on Fri with a Cologne Radio Symphony Orchestra concert conducted by Heinrich Schiff, featuring works by Mozart, Haydn, Shostakovich and Prokoflev. Selji Ozawa conducts the Salto Kinen Orchestra on Aug 25, and Schiff reappears as cello soloist in orchestral concerts on Aug 26 and 27. James Conlon conducts the Gürzenich Orchestra in Bruckner's Ninth Symphony on Aug 28, 29 and 30 (0221-2801)

DRESDEN

Semperoper Tomorrow: Krzysztof Penderecki conducts Sinfonia Varsovia in works by Prokofiev. Penderecki, Tchaikovsky and Mendelssohn, with cello soloist David Geringas. Wed: Frank Peter Zimmermann violin recital. Fri: Enoch zu Guttenberg conducts Haydn's The Seasons. The opera season begins on Aug 25 with a revival of The Cunning Little Vixen. Giuseppe Sinopoli conducts orchestral concerts on Aug 28, 29 and 30 (0351-484 2323)

FRANKFURT

This year's Frankfurt Festival runs from August 26 to October 3 at the Alte Oper. Highlights include concerts by the Israel Philharmonic Orchestra conducted by Georg Solti, the Chamber Orchestra of Europe under Gennady Rozhdastvensky and the Los Angeles Philharmonic under Ess-Pekka Salonen, plus a

performance of Mahler's Eighth Symphony, world premieres of works by Wolfgang Rihm, Luca Lombard and Edison Denisov, and recitals by Anne Sophie Mutter, Midori and Mitsuko Uchida (069-134 0400)

HAMBURG

 David Merrick's musical 42nd Street runs daily till Aug 28 at the (040-248713)

Hamburg's annual music festival runs from Sep 4 to 18, with a special focus on Schumann and Paul Dessau (040-354414)

■ NEW YORK THEATRE

 Three Tall Women: a moving, poetic play by Edward Albee, dominated by the huge, heroic performance of Myra Carter. She, Jordan Baker and the droll and delightful Marian Seldes represent three generations of women trying to sort out their pasts (Promenade, Broadway at 78th St, 239 8200) Angels in America: Tony

Kushner's two-part epic contures a vision of America at the edge of disaster. Part one is Millenium Approaches, part two Perestrolica played on separate evenings (Watter Kerr, 219 West 48th St, 239 6200) Perfect Crime: Warren Manzi's long-running thriller about a wealthy psychiatrist accused of murdering her husband and the small-town detective who tries to prove she committed the perfect crime (Duffy, 1553 Broadway at 46th St, 695

Two Gentlemen of Verona:

summer in New York means free Shakespeare in the Park, care of the New York Shakespeare Festival. Their revamped box office policy means that audiences no longer need to queue all day for tickets though that was part of the fun. Adrian Hall directs Shakespeare's comedy, opening on Thurs (861

 Laughter on the 23rd Floor: Nell Simon's 27th Broadway play, about a group of writers trying to come up with a new show, is one of his finest comic efforts. Directed by Jerry Zaks (Richard Rodgers, 226 West 46th St, 307 4100)

 Suburbla: a dramatic cornedy by Eric Bogosian about a group of angry and aimless 20-year olds who hang out in the parking lot of a 7-Eleven. Ends Aug 28 (Mitzi E. Newhouse, 150 West 65th St, 239

 Carousel: Nicholes Hytner's **bold**, beautiful National Theatre production from Landon launches Rodgers and Hammerstein towards the 21st century (Vivian Beaumont, Lincoln Center, 239 6200)

Kiss of the Spider Woman: pop

star and ex-Miss America Vanessa Walams has taken over Chita Rivers's starring role in the iong-running Kander and Ebb musical directed by Herold Prince (Broadhurst, 235 West 44th St, 239 6200

 Crazy for You: the musical based on Gershwin's Girl Crazy recently passed its second anniversary on Broadway. A highlight of this giltzy entertainment is Susan Stroman's choreography Shubert, 225 West 44th St. 239

Guys and Dolls: a top-notch

revival of the 1950 musical about the gangsters, gamblers and good-time girls around Times Square (Martin Beck, 302 West 45th St. 239 5200)

 The Lincoln Center's Mostly Mozart Festival is in its final week. Tonight's period instrument concert is given by Tafelmusik. Gerard hwarz conducts the Mostly Mozart Orchestra tomorrow and Wed in works by Schubert and Mozart, with violin soloist Christian Tetziaff. The Chamber Music Society of Lincoln Center plays Mozart, Beethoven and Mendelssohn on Thurs. Gerard Schwarz conducts the final concerts on Fri and Sat, featuring Mozart's Eine kleine Nachtmusik and Beethoven's Ninth Symphony, with a line-up of soloists headed by Carol Vaness (875 5030) The Metropolitan Opera's

1994-5 season opens on Sep 26 with a gaia featuring Placido Domingo in Il Tabarro and Luciano Pavarotti in I Pagliacci. The first new production will be Lady Macbeth of Mitsensk, opening on Nov 10 in a staging by Graham Vick conducted by James Conlon, with a cast headed by Maria Ewing (362 2000)

PRAGUE

Prague Musical Summer, a concert series organised by the Prague Symphony Orchestra, runs till Sep 6 in three vanues - the Church of Saints Simon and Jude, the South Garden of Prague Castle and the Dvorak Hall of the Rudolfinum. This week's programme includes recitals by the Telemann Quartet tomorrow, Le Mans Cathedral Choir on Wed

and Apollon String Quartet on Thurs. The Bavarian Youth Orchestra plays works by Mozart and Bruckner on Sat (02-2489 3111). Tickets and information for other events can be International at Na Prikope 16 in the city centre (02-2421 5031) or from abroad at BTI, Salvatorska 6, 11000 Prague 1 (tel 02-2422 7832 fax 02-2481 0368)

■ VIENNA

 The Roman ruin in the park of Schönbrunn, the former residence of the Hapsburgs, provides an open-air venue for the Vienna Kammeroper's summer productions. Don Giovanni runs daily except Wed and Sun till Aug 27 (01-513 0851)

Klangbogen, Vienna's summer concert series, runs till Aug 30 at various venues throughout the city. This week's programme includes concerts on Wed and Thurs by the Orchestra della Svizzera Italiana with cello soloist Ofra Harnoy and contrafto Nathalie Stutzmann (01-4000 8410)

ZURICH

Opernhaus The new season begins next Mon with the first of four celebrity orchestral concerts conducted by Vladimir Fedosseys Mariss Jansons, Marcello Vlotti and Georges Prêtre. The first opera performance is on Sep 1, when Mara Zampieri, Nell Shicoff and Ruggero Raimondi head the cast in Tosca (01-262 0909) Tonhalle Claus Peter Flor conducts Tonhalle Orchestra in a Beethoven

cycle on Aug 24, 29 and Sept ■

ARTS GUIDE Monday: Performing arts guide city r city. Tuesday: Performing guide city by city.
Wednesday: Festivals guide.
Thursday: Festivals guide.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV (Central European Time) MONDAY TO FRIDAY NBC/Super Channel: FT Business Today 1330; FT Business

NBC/Super Channel: FT Reports 1230.

TUESDAY Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY NBC/Super Channel: FT Reports 1230

FRIDAY NBC/Super Channel: FT Reports 1230 Sky News: FT Reports 0230,

SLINDAY NBC/Super Channel: FT Reports

Sky News: FT Reports 0430,

A cure to relieve 'derivatives angst'



losses in the market III derivatives have intensified public discussion PERSONAL of these com-

VIEW plex instruments is based in part on some underlying financial market. A recurring theme has been the call for scrutiny activities legislative action to relieve what can be called "derivatives angst".

What is angst? It the feeling that these instruments are so volatile, and their winn and growing so fast, that they could overwhelm the financial system. Will need 11 be vigilant about systemic risk, but 🚮 melt-down are

The any efforts. this point, should be the marketplace, not legislation. Aggressive action by privateether participants, combined with increased co-operation regulators and superviwill far in alleviating derivatives

Our objective simple: to make instruments, which a necesand constructive June in helping 🔐 🕶 risk, are safely and soundly by all, in a way full because stability and in in in financial markets globally.

There is a clear is for private-sector will us of lines fronts:

• improving designing standards and designing framework tracking capital

 ensuring high-quality independent risk capabilities in the firm; and reducing, if not nating, risks.

The type and quantity of information and the unarket participants is in the The current memorial of financial dheheurs time not to analyse me when firms can so quickly in the risk profiles all derivative instruments. All participants have adequate information in informed, rational decisions, 💌 a matter of efficiency and equity. Knowing m firm's appe-

tite in taking risk and its ability to control that risk are essential for any shareholder creditor or counterparty.

To narrow the information gap, individual market participants must develop bold and ambitious de standards that well beyond the traditional balance meet and sive disclosure d both risk positions and risk management practices made anhance the discipline of the later.

Moreover, disclosure would to heighten directors' senior managers' of the dimension and I risks of derivatives and other capital markets

Beyond financial disclosure, an information and exists regarding and size and direction of capital Dom within and and globe. Here, too, derivatives and

The current framework of disclosure does not suffice to analyse risk

n innovations min miland our ability is the CHA DA HEODOGOS IN WHE capital markets. It would design comprehenmeasure capital flows, but it is worth the miles The property first was him compile the main questions and capital the day made belp answer, and ready in min with main partici-

A priority that marparticipants - 12 establishing independent risk-management developing rigorous term and analytical capabilities. This there has been to be done, particularly in ensuring a strong internal control environment.

It messential that skilled status, not only for it trading floors and risk management but also for back-office and internal functions. Given that virtually all of

related have involved internal control breakdowns, f en escalaral lain a intition. tial commitment of monetary and human man internal controls a high

d return in tales all all March 1886 An important test step is to develop and implement sophisrismi stress-testing regimes. A firm be be that its resources In III to buffer it imm of low-probability, extraordious components of market. credit, liquidity and operational risks. Les of the root important handles of testing is to identify unrecogvulnerabilities, Wall mile in hidden assumptions, and with trading man the management

wrong about their assump-Finally, there is a critical action to Maintain we all "Her statt risk" - the risk of settle ment failure in foreign exchange. Several currently way, including the development of netting agreements in foreign exchange and efforts to create a foreign exchange clearing house, are constructive and important. But additional substantial progress must still be made before we can eliminate - or nearly eliminate - Her-

If we do not not with an aggressive agenda, the grip of derivatives angst will be unrelleved. Derivatives are a pos tive force for the market, and we must ensure that market practices inspire confidence in all participants, private and public, dealers and end-users.

For our part, I recognise that we, the regulators and supervisors, must acknowledge our collective responsibility for ensuring the success of our primary mission: the preservation of a sound and resilient global financial marketplace.

> William J McDonough

The author is president, Federal Bank of New

Risen from the tronics group, has clearly survived the electronic ether collapse. Having pulled through 🖿 crisis, 🕶 must arm show the it can marshal III resources and develop a product

which is compete in the milli

Last week, the company

managed to the line public episodes. The Line Wednesday,

it uncerned plans to spend

El flora (TEVEN) m boost capac-

ity II in seminations plant

in the Dutch ten of Nijme

gen. 🏗 move 🖫 significant.

only is it is biggest single

in plant

the lath days of the early

fill a symbolic "hole" in im

Nijmegen factory caused by my painful decision in sen to

pull back from commercial pro-

duction of static random-access

memory (S-Ram) chips. Philips

had hoped to break into the

market for Make afternoon

chips - I make by

The surprise cancellation of

project was the first

wrenching step lines by Mr

Jan Tunne he he Philips' president. The his

crimale le carle up corporate

culture, Operation Centurion,

he forced the

emphasise profits and produc-tivity job security

If prestige. His scrapping the project of part of the

Nijmegen plant empty, and this that will be

The by equipment to produce

Philips' www generation 🖼 sub-

micron integrated circuits.

The up the miniaturised

energy-efficient "brains" of cel-

telephones and other por-

Second, III Thursday week, Philips announced a 244

increase in second

quarter profits, the biggest

gain so 🕼 🔛 🖽 🚾 Whit

confirmed Philips'

in was not so much the ran

itself, though the executed

forecasts, but the fact that

nobody seemed particularly worried and of the results

There was

tion of hand-wringing and

doom-saying that accompanied

in remit years.

allow quarterly reports in the

Philips, in short, is become

"normal" company again,

other blue-chip Dutch

have reported results unu

III past weeks: Ill sur-

Dudley Philips'

finance director

vival is no longer in doubt.

mile definition products.

Japanese manufacturers.

Philips has still to show that it can make it in the multimedia big league, says Ronald van de Krol

Philips: out of danger 1988 89 90 91 92 98 94

confirms the revitalisation". Int her Philtps, just beein good Irredid in finally lightened of debt, have deep enough pock-ets to compete in the expensive world of multimedia deals?

The company clearly has the -murror invest and the ability w borrow, having secured a \$2.5bn stand-by credit facility in Acre into a consortium of international perior led by 125 First Bestste. observers do and expect in in the on big acquisitions or lavish Lawrence spending.

The Rules to pur for the of Mijmegen plant will come out of the semiconductor division's cash ilon. The investment in one that the division has "They cut han early, they've become fit and ready," Wr Eman

Durker lish year, it's United mid Philips might transfer a share Line II is right acquisi-tion arose in the field of "software". In the new jargon a millimann hav term my music, films and nill systems that run on industry's "hardware", 🕍 🔛 video recordera interactive compact disc players. But Philips does not intend to on a spending spree. "We have so recently auto desti firm a very highly Line in Land Line 1 have no limpression with the law and are an nity at large that all of a sudwe've forgotten au past." My Continue of the

The company's ablance bring to mind I strategy in illa early Poly-Gram, majority-owned entertainment company. acquiring | | production companies, prodinas 🗪 a Funeral.

his low-key, low-cost approach contrasted sharply will the billion-dollar acquisiby Philips' richer Japanese rivals. Sony acquired Talliana Pictures and Matsushita bought MCA, The Univer-Pictures.

W acknowledges ■ similarity between Philips' careful involvement in film and m overall investment plans. "I think we're still a pretty cautious Dutch pany, and we're not likely suddenly and and to buy or something that," M says. "Prudence will Number of employees

1988 89 90 91 92 93

that we bite-sized

into this rather than trying to giant.
That would foolish." Still, Tillp is gearing up for higher a time when I has yet in running the ready it lies put lists its three latest consumer-electronics products - high-definition tele-

compact (DCC). HDTV's ham hampered by competing lime on Europe, Japan and the US, and II has yet to be market.

vision (HDTV), compact disc-interactive (CD-I) and digital

n contrast, CD-I and In 3: both brought fully to market, and harm in no disguising that sales of players for DCC - Philips' successor to the analogue audio cassette - have been disappointing. The company is now narrowing down its initial European marketing focus to the UK and parts of the Continent, but it is clear that DCC has not yet emerged

as a "must-have" product. CD-I sales have been more encouraging, but Philips has in making LLL CD player - of teaching people in plan musical instruments or to access a "living" encyclopedia from the television sets in their living rooms - the industry-

wide vehicle for multimedia entertainment education.

Philips protests its three latest consumer electronics products always - under media scrutiny, 🖻 🏙 exclusion of when innovations, rangfrom medical to headlights. It adds - all three predated the Centurion shake-up and and launched. almost simultaneously, in the

recession. This will not, however, be a credible for any market failure by the products of any investment programmes. products fare will be an important test not only of the company's new-found financial health but 🖬 its ability in shake ill in sluggish. paternalistic past and to a growth-orientated, entrepreneurial organisation.

Philips acknowledged early on Mr Timmer Ibl it needed in tap outside expertise. Indeed, one is the that the changes at Philips the number of Americans. Britons and Scandinavians now in charge of product divisions. Of the 13 members of the group management the company's main operational forum, just five are Dutchmen. = reversal of the situation when Dutch executives, usually lifelong Philips William filled top rank.

in keeping with the new pattern. Philips the the New York-based outpost of the group's ambitions, run by Mr and Mar-with experience of the publishing, and communications industries. At wery level Mr Frank Carrubba was brought on 🖿 the 🚻 🚾 Philips management board from Hewlett-Packard of the

technology. The ILL BIT Mr Eustace, an Englishman and former director of British Aerospace, down in Eindcompany's results - in - is an indication if just have far Philips has come from the care as the med instr-

lar of Dutch multinationals. This imported talent, which number of Dutch newcomers, now fills many W erucial positions in the waters and exercise model. of the believes are a second his manher of the corporate establishment. In Inc end Philips' capacity for innovation, talent, as well as the quality of its product runs will be as important in determining its future as the breadth of its

LETTERS TO THE EDITOR

Number One Southwark Bridge, London FEI 9HL Fex III 873 5938. Letters transmitted sented be clearly typed and aut hard written. Frame set fax for those resolution

No evidence of a credit crunch in Japan

Mr Brian FT deserves praise for its excellent coverof the Japanese economy. www report, "Japan's credit crunch threatens anaemic recovery" (August 12), the mark. Although lending by the limited buildings in the Black Japan's is is falling, there is my evidence is its result if a "severe " crunch". If a USstyle and crunch (which, by

the way, III and prove fatal in

did indeed exist, we would expect the part lending banks' to widen, well ernment honds.

in fact, de figures was little change. to be a second from business negative cash flows are trying to leave in order in sizes off bankruptcy. This is not the type of borthe economic recovery there) most banks

even in the han of the To borrowers seem in be showing up not in the Bank of Japan's statistics III in III Antend I'm Agency's. Some of the top income in Japan last were owners of financing companies specialis-ing in high-risk loans, in interest rates often exceeding 20 per cent a year.

We should the my forget the important role in credit Min if government financial institutions during the recession. In 1993, they improved their total four ind discounts outstanding by Y11,800bn (about US\$118bn). If we add in the Y3,700bn in corporate straight and convertible bonds outstanding, il becomes when that lending only of well creation in Janan.

Drive Rose. (co-author of "The DIR Guide to Japanese Economic Statistics"), Dainoa Institute of Research. 15-6, Frayulci, Koto-ku, Tokyo 135, Japan

Danger of confusion in financial markets

From 14 Christopher A. The Fingland yesterday war unless are leveled * few months [my italics] the government could hill to meet its target of reducing infinite to a 1-2.5 per cent range by the inf of it parlia-(front page, story. August 3).

This report covered un pubof IL. Bank of England Quarterly Inflation Report. Yet. nowhere in its report and did words concluremain unchanged over I it is probable II inflation and gradually in sions from the side and an indepoint between the two. of the farmer range" (my falls again).

Wull has the more - flux infine scanner the best of the inflation Report, or 🗀 🚾 given III press inter-preting it? The Bank II England risks creating confu-sion in financial by giving 🔤 interpretation 🖿 🖪 words which well beyond meaning written. It would in been helpful your reporters II Will Gerrom Attinitions for the president conclusion of the Inflation have their own conclu-

If the "warning" surely have been written into the Inflation Report conclusion. If the Bank does not recom-

mend a in within the months, can point to the written text; if It does, it point 🔳 🎥 warning. It a bit in like the all system of nods and winks which was supposed in have been replaced by in the policy of openness", will list report the of it. Christopher Johnson.

Roles that World Bank and IMF must give up

From Mr Doug Hellinger. Mr. Coinciding with the 50th anniversary of II conference, some 70 citizens' organisations in the US launched the ran is enough" campaign m hold the Warn Bank and international Monetary Fund accountable III people whose lives they affect developing world. The is working with similar coalitions around in globe.

Unfortunately, both John Williamson ("Rules - for new age". July II Mich. ael Prowse ("Private view | a public motivator", July 18) have mischaracterised U US campaign imisrepresented In positions. We are not calling for IM Bank, as they suggest. We In strongly recommend cutting its resources and responsibilities so I Dower and the damage | The campaign and with

analysts that fin IMF should starting development policy.

Furthermore, Williamson that in members of campaign are no dedito "helping catch up with rich ones assisting centrally planned emerging to make the transition w market economy", inv supposed goals a belle Was institu-Quite Un contrary.

II U WELL BUT and IMP adjustment programmes that have let be poverty, widened the rish and the poor, gutted local productive capacity all accelenvironmental degradation in most of the some 75 countries in which they have been imposed there must way, We that economic policy support lie productive activities 🍱 া 💆 poor (particularly women), stimu-

late local self-reliance. increase workers' rights and and enhance broadand members food production. Our platform, which apparently neither Williamson nor Prowse Im read, The calls for a shift way from largeinfrastructure projects displace millions of people in favour = smaller, resource-

But, more importantly, the change me be paved by the people themselves, who should left determine the direction and pace of their own economic future. If these are "strident" demands, as Prowse suggests, so be it. Doug Hellinger, The Development GAP.

conserving investments.

member. US 50 Enough Campaign, 1025 Vermont Avenue. NW

Floor. Washington, DC

Cross-border banking

190 m

10 mm to 10 mm

is National National

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Oliver .

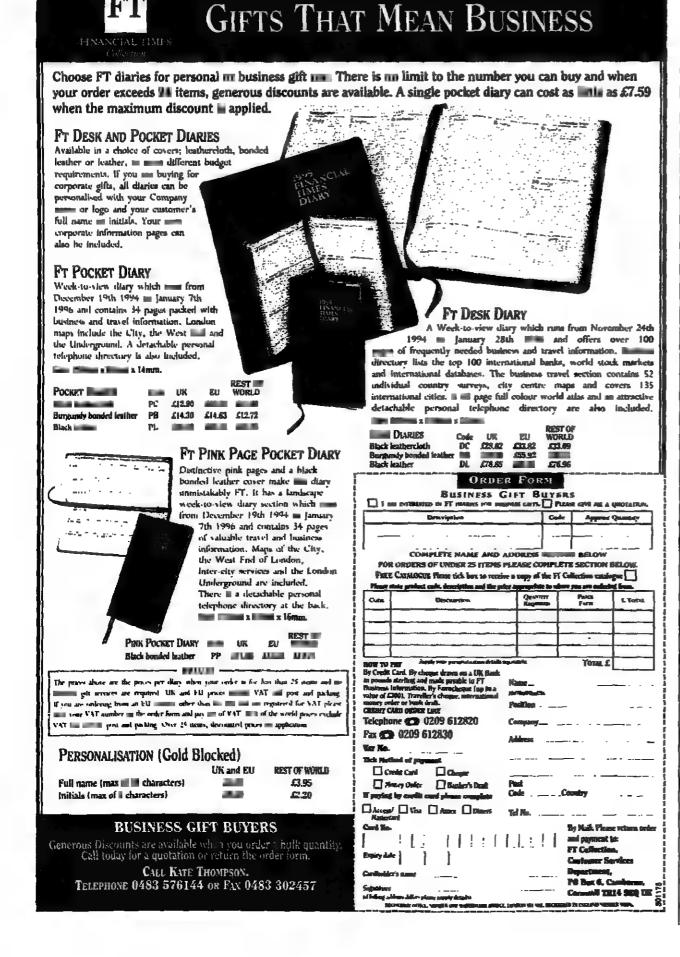
Ay

Filled Mr John Bergrent Sir, I had with interest and in the state on the state of the state o man and John Gapper (Economics Notebook, August cope", August 9). Reading Chapter VIII I I BIS's annual report would that increasing when and when in the international payment systems are coming from banks 🗖 all sizes, 📶 just 🗺 ing clearing banks in the vari-

the primary reasons Royal Bank of Scotland and Banco Santander (InterBank On-Line System). cross-border payments and banking system, was address the lack of direct account-to-account processing 🖛 all banks, 💴 just 🗠 🖚 Providing such efficient services greatly man any libood II systematic failure.

Industry Language along the lines III IIII are representain type of response the banking industry should advance and embrace, and mitigate the need for regulatory action. As virtually everything today in tradeable, delivery v payment is the backbone of non-cash settlement. The is well covered by the Group w recommendations. Cash should M similarly treated. By being Lie constantly be check M rue nvailable and amount of II the time of trade, La financial world wauld be than at present John Bertrand. director,

IBOS. Victoria Street. London SWIH MI



FINANCIAL TIMES

Number One Southwark Bridge, London SEI 9HL Tel: 071-873 5 Telex: 922186 Fax: 071-407 5 Telex: 922186 Fax: 071-407 Monday August 15 1994

Case for Aids vaccine trials

As researchers, epidemiologists, and patients returned this weekend from the 10th international Aids conference in Yokohama, the mood could not have been gloommood could not have been gloomier. The disease is spreading; none of the available drugs has proved particularly effective; and prospects for a vaccine, uncertain at best, have been put back by US unwillingness to initiate trials of those that have been developed.

The most disheartening perm is The most disheartening news is the epidemic's continuing rapid

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acceleration in Africa, home to 60 per cent of all people infected with HIV, the virus which causes Aids, as well as in Asia. Three million more people have been infected over the last 12 months, making a conservative total of 17m. In parts of Uganda. Aids-related diseases account for half of all deaths. Infections have tripled in India since 1992 and risen tenfold in Thailand since 1990.

Meanwhile, the ability of doctors to deal with the virus appears to be deteriorating. At Yokohama, clinical data were put forward on treatments that might help against the opportunistic infec-tions that afflict Aids patients. But the confirmation that the drug AZT is incapable of slowing. progress to death in non-symptom-atic, HIV-positive patients means there is no proven effective treatment for such people.

Little is in the pipeline to take AZT's place. Without new medicines to test, patients are being urged to combine the existing ones. Whether these will be effective or practical is open to doubt. In any case, most patients in industrialised countries already have difficulties paying for treatments which are individually expensive. Taken simultaneously, they would be exorbitant.

Developing countries

If such drugs are too dear for patients in rich countries, they are well beyond the means of most HIV-positive and Aids patients those in developing countries. A year's treatment with AZT costs about \$2,500. Many African countries spend less than \$10 a head on health. Public health campaigns involving greater use of condoms, linics for sexually-transmitted diseases, education and counsel- the threat faced by the people of

While efforts to boost condom use and public education must be stepped up and given greater support by aid donors, they can only provide a partial answer. The best solution in the long term will be a vaccine. Experimental injectable versions are available. The only way of testing to see if they work and are safe is through large-scale trials. Delegates, particularly from Africa, pleaded last week for such studies to be started. Yet the vaccines they want to test have just been rejected in the US. The American authorities were week. American authorities were uncon vinced the vaccines could outwit HIV, and believed the risks involved outweighed the benefits. These risks are considerable: vol-unteers could adopt more risky behaviour in the mistaken belief they were protected from HIV; they could even be infected by the vaccine itself.

Desperate dilemma

The American decision set back Aids vaccine development in the US, possibly by three years. This poses a desperate dilemma for the World Health Organisation, which had been planning to co-ordinate vaccine trials in Brazil, Thailand

The simple case for proceeding with trials in developing countries is that this would be in the best interests of their people. The cost and impracticality of likely alternatives makes a vaccine the only realistic solution. While it would be desirable if the US authorities overcame their objections to the vaccines in question, there can be no denying that the risk-reward equation is different in America. Not only is the incidence of the disease lower than in many developing countries, but drugs compa nies might come up with a way of controlling it through man in that word never be affordable in the poorest countries.

It would be out of the question to contemplate a standard sequence for trials of new drugs that started with animals and moved on to Africans, before fin-th Americans. But by vir-tue of the incidence, Aids is a special case, Individual participants in any trials must be fully ling are also beyond the means of developing countries makes those most African nations.

The deciding factors

It may, so far, be a voteless UK recovery but it has certainly not been without profit. The healthy earnings figures seen in this reporting season will not excite the electorate, but they highlight the unusually buoyant state of the UK company sector. Given what came before, the divergence between public and corporate sentiment is somewhat to be expected. Whether it continues will depend less on how much cash

companies have and rather more on how they decide to spend it. The UK corporate sector's record cash surplus in the first quarter of 1994 crowned a rapid turnround in company balance sheets since the recovery began. This was achieved largely through heavy repayment of debt, made possible, in turn, by the prior resilience of profits. Non-oil profits, currently 28 per cent of on-shore gross domestic product, never fell below 25 per cent in the 1990-92 downturn compared with troughs of about 18 per cent in

How was this achieved? Companies reacted unusually quickly to the onset of recession, running down stocks and labour so as to maintain profit margins, which were given support anyway by the relatively shallow slump in output. As a result, sterling unit labour costs rose by a total of only 12 per cent over the 1990-91 period compared with a cumulative rise of one-third and 57 per cent respectively at a comparable stage in the past two downturns. Continued falls in manufacturing employment and subdued wage growth have helped build profits further as the economy has picked up, though they have done little to raise consumer spirits.

High margins

Those at the receiving end of that disquiet, notably retailers, have found their profit margins under pressure. But for the economy as a whole margins are high by historical standards. This is one reason why the fear that companies will up for rising commodity prices by raising prices might misplaced.

Another that the cost of materials accounts for a mere 8 per cent of UK companies' direct costs. If companies choose to raise prices nonetheless, would strengthen the case for reining in growth do not.

on how companies decide to spend

the cash they already have. Cash-rich companies can do any (or all) of three things: raise divi dends, engage in mergers or take-overs, or invest in real assets.

Dividend growth

As noted in the latest Bank of England Quarterly Bulletin, a higher percentage of companies were willing to reduce dividends to pay off debt in the past reces sion. Nevertheless, this had little impact on overall company sector dividend payments, which were at a 20-year high of 3.6 per cent of GDP in 1993. The financial markets seem to expect even higher payouts in future. Gallup's latest institutional investors' survey reports expected all-share dividend growth of 8.5 per cent in 1994 and 8 per cent next year, com-pared with the 6 per cent expected for both years when January's

Mergers and acquisitions have picked up somewhat over the past year. But, while a new takeover boom would distract companies attention from investing in higher capacity, it need not prevent it. A more important barrier, some argue, is the high rates of return which companies demand of their investment projects. Investment has yet to rise significantly in this recovery: manufacturing investment was 8.7 per cent lower in the first quarter of 1994 than it was in 1993. As a percentage of GDP, investment may appear to have held up better during this recession than at the start of the 1980s. but the recent sharp fall in the price of investment goods makes it more difficult to find a clear contrast. Certainly, other investment expectations are as subdued as they were in the middle of 1983, at precisely the same stage in that

Conditions then were ripe for the seven-year upturn in invest-ment which began a few months later. With company profitability much higher now than in the early 1980s, it is difficult to believe that the same factors favouring investment will not reassert themselves. In the meantime, the chancellor must focus on ensuring that the factors favouring inflationary

lutionary party founded in 1929, making it the longest continuous-ruling party in the world. On Sunday, it is expected to power until the next century.

opposition hopes of a last-minute victory. But the PRI's lead is so great in national opinion polls that its supporters are more worried about the size of presidential candidate Mr Ernesto Zedillo's victory, the threat of protests over the result, and whether - once in office - Mr Zedillo, a former central bank official and budget minister committed to pro-market economic policies, can tackle Mexico's pressing political and economic

Ms Nancy Belden, a respected US polister who has just completed a survey that puts the PRI 27 percent-points The lead is so commanding that it would take a rather large turn of events to see someone else come ahead." Unless that happens in the next few days, the PRI will win more than half the seats in the House of Deputies, the lower house, and three-quarters of those in the Senate.

The PRI has won popularity despite growing economic and social unrest. Ms Belden's poll shows widespread voter dissatisfac-tion with the economy, and a gen-eral conviction that poverty, pollution, crime and corruption are stagnant or worsening. But voters do not believe that the opposition is better placed to resolve these probems than the governing party.

Such views reflect poorty on the campaigns of the main opposition parties. Mr Diego Fernández de Cevllos, of the centre-right National Action party (PAN), at one point looked to be seriously challenging the PRI after a strong performance in a television dehate with Mr Zedillo. But soon afterwards, he almost disappeared from public view for nearly a month - the official explanation was that he was briefing himself - and his party has been criticised for not publishing a detailed platform, preferring to con-centrate on a few broad themes and attacks on the government. Support for the leftwing Party of Democratic Revolution, led by Mr Cuanhtémoc Cardenas, has remained weak.

The electorate may be sticking with the PRI in part because of the political turbulence this year, which appears to be making voters more, rather than less, afraid of change. At the beginning of the year, a Zapatista peasant revolt in Chiapes, ostensibly seeking the overthrow of the minum president, Mr Carlos government troops. But it high-

Just winning is not good enough

Damian Fraser says the political system - as well as the candidates - are under scrutiny in Mexico's elections



authoritarian nature of PRI rule. In March, the assassination of PRI residential candidate Luis Donaldo Colosio heightened political tensions still further and led to divi-

sions within the ruling party over the nomination of Mr Zedillo. More significant reasons why the PRI is apparently defying political gravity are its organisation (which is far superior to rivals'), seemingly unlimited campaign resources (much of it from business) and favourable television and radio coverage (much of which is owned by PRI supporters). Although this campaign is more equitable than previous contests, the PRI is set to spend more than \$200m on the presidential and congressional races — far more than all the opposition parties

While such advantages are expec ted to enable the PRI to win the election, party officials admit that victory will not be enough: the voters, and at the very least the centreright PAN, will have to be convinced that the election is fair. Otherwise the opposition will almost il did il 1988 presidential elections, threatening is stability of the political system.

"We are m a turning point in marie litters. We althor have to democracy will be conflict," Mr Mr delegate a Zapatista-organised million on democracy in Cana me limit transfer

Winning legitimacy will be be the The memory of the 1988 elecwhen mysteriously mysteriously demi muli and opposition in early returns - still haunts the country. According to the Belden poll, 30 per cent of Mexicans believe there will be "considerable" or a "great deal" of fraud on Sunday. The PRI and many independent

observers (including from the UN) counter that the electoral system has been completely reformed since 1988. The government has handed over its supervision to six independent scrutineers, approved by all the main political parties. These complemented by independent observers, sations opposed to the PRI and,

polls and results from a representative sample of early returns will be released to reduce further the scope for fraud. Mr Enrique Calderon, a senior observer, says: "Every step in the election process is now very

An election that was considered

explicit. We can detect if there is any rigging." Nevertheless, problems may remain in rural areas where there is a tradition of ballot-rigging and, if previous elections are a guide, there will be much debate over whether irregularities that are found are mistakes or fraudulently intended.

> fair at home as well as internationally would, however, greatly help Mr Zedillo in his efforts to maintain political stability. He could claim, unlike President Salinas, who was elected in 1988, that he had a demo-cratic mandate for his policies, and argue that the PRI had made a decisive step from being the electoral arm of an authoritarian state towards being a democratic party. But a clean election may not be enough to win over the growing number of dissident political organi-

more importantly, the political system that the party dominates. As last week's Zapatista organised convention indicated, the left wing in Mexico, though a small minority, is willing to use public protests as a

weapon against the government. "There are too many signs that the political modus operandi that maintained stability in Mexico from 1929 no longer works," says Mr Guillermo Valdez, political analyst with the Mexico City-based consultancy, GEA. You have more and more political man not controlled by the PRI that are looking for

Mr Zedillo has indicated that he will respond to the new political pressures by pushing through further democratic reforms. He has promised to decentralise power to regions, we give the judiciary more independence from the execu-tive and to let Congress have more influence in drawing up legislation. Mr Zedillo also says he would seek to put the PRI on a par with other political parties by distancing himself from III internal IIII and encouraging it to choose candidates for elective office democratically.

I implemented, such would open more opportufor the to participate politics. But they
could the predictability of Mexican politics in the past depended on a president's mands being put into practice.

Mr Zedillo could strengthen his hand, however, if he could engineer a return to strong economic growth and provide jobs for the approximately 2m Mexicans who enter the workforce every year. Over the past couple of years, Mexico's economy has been stagnant, as domestic industries have suffered from international competition and high interest rates, pushed up by recent politi ical uncertainty.

Mr Zedillo has vowed to raise infrastructure spending by 25 per cent to increase economic growth. He and his advisers are confident that capital inflows brought in by the North American Free Trade Agreement will boost growth over

the long term.

But the effect of Nafta is double-edged: it is leading to a process of economic restructuring, with inefficient companies closing, but the lost jobs are not yet being absorbed by new arrivals. And a continuation of pro-market economic policies is unlikely in the medium term to improve Mexico's uneven distribution of income. Mr Zedillo is likely to have a diffi-

cult task steering Mexico towards the status he covets for the country - to be a successful part of the industrialised world - even if he wins Sunday's election cleenly and

Peter Norman says the UK Treasury's independent economic panel is eminently disposable

The UK Treasury's Wise—eyed but legless Germany has a panel of "wise men who produce a report on the economy for the government once of the probably doomed to ignominy moment

But not even the most hard-boiled cynic, versed in the ways of economists and government, could have supposed that this group would so quickly lose all influence over UK economic policymaking.

True, the group added fleetingly

to the gaiety of the nation last summer, when one of its number - Professor Tim Congdon - triggered an unseemly squabble among its members about who produced the best forecasts. Since then, however, the wise men's panel has become some-thing that would be best forgotten. This is not to denigrate its individual members. All of the original seven - Andrew Britton, director of the National Institute of Economic and Social Research: Congdon, managing director of Lombard Street Research; David Currie, the head of economic forecasting at the London Business School; Gavyn Davies, chief UK economist for Sachs in London; Wynne Godley, professor of applied economics at Cambridge; Patrick Minford, profes-

Unison

on stage

sponsor one instead.

men for afternoon sex.

Argyle and Barnet

In the past Unison has

Britain's trade unions are not

services union, has decided to

normally fertile

of sex, money and the media which

is probably why Unison, the public

The union has given £15,000 to

millionairess media tycoon who has

a nenchant for picking up young

concentrated more on sponsoring

high-class "agit prop" - that's agitational propaganda to you and

me. However, it is keen to move

and in March tried to sponsor

football game between Plymouth

Abducting Diana, which opens at

the Edinburgh festival tomorrow,

seems assured of more success. But

in case Unison members find it too

heavy going they can reserve a place for themselves at the

highlight of the summer season -

starts a short run at Blackpool's

Last man in

There is something rather

reassuring about the sight of 59-year-old Barry Pearl leading

the annual TUC conference, which

Winter three weeks later.

away from "overt socialist themes"

back Abducting Diana, ■ satirical play by Dario Fo about ■ woman

sor of applied economics at Liver-pool; and Andrew Sentance, economics director of the Confeders tion of British Industry - have their merits and have, over the years, contributed to the diversity of economic debate in the UK. This observation is just as true since the panel has shrunk to six from seven, following the departure of Sentance to work with Currie at the LBS last

But the experiment of putting a mixed bag of economists togeth with the Treasury's firmanian three times a year to prepare reports on the current position and future prospects of the UK economy has added little to the sum of human knowledge. If anything, if has curbed managed little by turning true iconoclasts such as the monetarists Congdon and Minford and the neo-Keynesian Godley into halfway establishmeni figures. This, no doubt, was at the back of

the mind of former chancellor Norman Lamont he created illegroup in late 1982, as part of the moves to patch up an economic pol-

Winterflood Securities into the

gilt-edged market this morning.
After all, Pearl was the last gilts

jobber to quit the floor of the stock

exchange after Big Bang. Pearl soldiered on alone, making prices at

broker who wandered by, long after

high-tech skyscrapers. But in 1988 a storm cut off all lines of

his competitors had departed the

his podium by telephone or face-to-face with the occasional

stock exchange floor for

communication, forcing him to

then, he has never looked back.

Len's last word

retreat up into the office and take

his place in front of a screen. Since



Things which never would be missed

icy for Britain after the fiasco of sterling's exit from the European Monetary System. At that time, the Treasury's reputation im policymaking was at an all-time low, and that of its forecasters little better. The idea of the forecasting panel was a minor stroke of genius. The panellists main in fintanel by being told that they would provide policy recommendations: they never

were to meet Lamont but have met Kenneth Clarke twice, although to vation could be sold to the public as an example of government open-ness. But most attractive of all, the panel's forecasts could be shown to be as fallible as the government's.

The press played along with the wheeze. "Treasury calls in a chutch of flamboyant forecasters" was the breathless headline in the Financial Times on the day after Lamont's announcement. Mr a while, no piece of news could complete without one or the other or preferably all seven - adding

their two penn'orth of comment.

Such celebrity would have been difficult to sustain in the best of times. But the decline of the group's influence has undoubtedly been hastened by the intervention of the unknown scribe who coined phrase "wise men". This was bound to lead to a slow seepage of authority and prestige in a country so hostile to make tall as Britain. The idea of "wise men" also had a faintly Teutonic air. And indeed,

who produce a report on the economy for the government once a year. But at least they have a role to play in the carefully choreo-graphed creation of a national consensus on wage setting and the state of the economy.

The routine is that Germany's

leading economic research institutes produce a forecast for the following year in October. Their wise men follow up with a thicker tome in November which usually echoes the points raised in the institutes' report. All other forecasters then fall into line. By the time the government produces its annual report on the economy early in the new year, wage bargainers know how much pay increases should be.
The contribution of Germany's

wise men to the nation's welfare is not great, but it is significant. It is certainly more than the Treasury's panel can hope to achieve.

The only consolation to UK texpayers from present arrangements is that they will not break the budget. The panellists each receive £125 plus expenses for attending meetings. If nothing else, the "wise men" come cheap in a Whitehall riddled with highly paid consultants.

OBSERVER



'I was at Woodstock but I can't

■ "As global as business itself" gushed a recent corporate ad for UBS, Switzerland's largest bank Not so, according to Len Harwood. who resigned as bead of debt capital markets at UBS in London last Indeed, Harwood blames his

departure on UBS's lack of global presence. The big ticket deals these days go to firms with a global set-up," claims Harwood in the latest issue of Euromoney magazine. "I didn't see UBS becoming a player." Tough news for one of the few banks in the world still sporting a triple it credit

again, Harwood's view of HRS may have been coloured by the arrival from Bankers Trust, in December, of John Gianotti, who

was appointed over his head to run origination and derivatives. Whatever the reason for his exit, the man once dubbed the "Billy Graham of the euro-commercial paper market" doesn't expect to be out of work for long. His passion for the medium-term note market, in particular, remains undiminished judging by his personalised car number plate - Al MTN.

Foggitt due

Bill Foggitt, the Thirsk weather sage whose accuracy at forecasting easily outshines that of

Pennsylvania groundhog, is basking in the prediction he made of Britain's hot summer. After the hottest July since 1983.

he said, the rest of August would produce a mixed bag of rain, sun and thunderstorms. Thirsk has had two thunderstorms in the past fortnight and more are on the way. said Foggitt, a thunderstorm enthusiast. He can recall one storm on August 29 1930, the day Princess Margaret was born, that lasted the While that was the longest, the

most violent he can remember was in September 1965, when a flash of lightning put his telephone out of order. "I would have been killed if I'd been there at the time," he said. Was that I rumbling in the distance? answer, Foggitt had hung up.

Saucy export

Goodbye, Chicken Kiev. Hello, mushy peas. For the next seven days Ukrainians will be able to pay \$50 m head to be subjected to the of British cooking Kiev's new Red Fort restaurant (old apparatchiks welcome). When it comes to promoting British exports to Ukraine, Britain's "outstanding cuisine" is hardly the number one target. High-tech engineering gadgets, and British literature, yes. But British food?

Not only can most Ukrainians not

afford British prices, but food is one

Ukraine is rather good at exporting. Quite why Britain's diplomatic machine feels it is worth promoting British food exports to one of the world's richest agricultural a BBC TV chef, Colin Capon, plus a plane load of "ecologically clean" English food have been flown in, with Tesco's Ukraine distributor picking up the bill. However, the Foreign Office's "duty to promote every aspect British life" in its bid to win over Ukrainian tummies did not extend to the wine on offer at last weekend's launch. It was French.

Flaps up

■ The news that the US state department has forbidden American diplomats from using domestic Russian airlines - following recent similar orders by Britain and Canada - resurrects the following. slightly foxed tale: Boris: Why so depressed, Ivan? from: I'm really worried. I'm flying to Vladivostok, and there've been so many Aeroflot crashes lately, Boris: Oh come, look on the bright side. Your chances of being killed on the roads are much higher. For instance, did you hear of that extraordinary crash, involving poor

Ivan: No, what happened? Boris: He was driving along on an open road, and what do you think? An Aeroflot plane fell out of the

Coalition hopes Berlusconi and Bossi talks will calm markets

Italy's leaders display united front

Feuding leaders of Italy's ruling coalition made a concerted effort over the weekend to show they had patched up their differences at a summit between Mr Silvio Berlusconi, the prime minister. Mr Umberto IIII of the Northern League.

Since the March general election, blunt-talking Mr Bossi has repeatedly Mr Berlusconi for political misjudgments. Fears of split in the coalition contributed tension Italian financial markets in the last fortnight weakening the lira.

the prime minister's villa near Milan, and - fuelled by dishes of pasta into the early hours of Saturday - thrashed out an armi-

The two smiling, shirt-sleeved leaders invited television cameras to the villa on Saturday afternoon for a session of backand ribaldry was at demonstrating that they were now the best of friends.

"Today we've talked about serious things, and commitments to [government] programmes," said Mr Bossi. "This is certainly not the moment to be

Mr Berlusconi added: "The [solidity of the] government has really never been question; it's only considered unstable by out-

The government hopes soothing television interviews given by Mr Berlusconi on Friday night and the friendly banter of Saturday will inspire Italian markets when they reopen tomorrow after a holiday weekend. Last Thursday's unexpected decision by the Italian central bank to raise interest rates not only failed to strengthen the lira on

Friday, but seemed to contribute

rency and equity markets.

By Andrew Hill in Milan

warnings, conspiracy theories, resignation threats and emergency legislation – a normal hol-

activity not les turmoil in bond, currency and markets, but Friday's 📥 in by Fia, the world motor

The decision supposed in end uncertainty caused by a row mentalists and road-hogging mula undifica-

By Michael Cassell in London and Patrick

Harverson in New York

While this year's World Cup may

be only a fading memory for foot-

ball fans, the tournament contin-

ues to provide a warm glow for

many companies ware

liers, to

close the scale of profits they

The main British winner

appears to be Guinness. The

drinks group, which was the offi-

the Irish World

Cup team, bull- was a

during last mall's competition.

main bearing in the III

four form live sales if

imported har jumped Min

brand Heineken leading the pack.

competition.

have to

involved behind ill scenes.

als to fell more than 100 trees and extend the gravel-filled safety lane at a fast right-hand bend of the track for the Septemher 11 race. Drivers called for the improvement after the acci-dent which killed Ayrton Senna at the San Marino grand prix

national authorities dithered about whether trees or turbos should have precedence, until Friday when Pla decided it had had enough.

guard over the trees lest fanati-cal motor sport "tifosi" decided to take an axe to them - seem strangely subdued by the deci-

reluctant to declare victory, advocates of the grand prix are

were winners at the World Cup

Soccer tournament boosts Guinness beer sales figures

Airlines operating out of princi-

pal European centres also fared well. British Airways, which last

week reported a 40 per cent increase in pre-tax profits for the

first quarter of 1994, said the

good performance continued through the weeks preceding and

during the world cup.

American Airlines, the official

carrier for the competition, said that compared with the year

before it carried an extra 70,000

people across the Atlantic in

June, followed by an additional

owned by Mr Richard Branson,

reported excellent business in

June and July, already one of its busiest periods. It said its aircraft into Florida had been "absolutely

Despite these increased passen-

bonanza predicted by the World

Cup's organisers did not materi-

However the tournament

did produce its share of US win-

Nike said retailers were report-

ger loads, the US

Virgin Atlantic, the airline

59,000 in July.

defeat. Mr Aldo Moltiflori, mayor of Monza, has resigned in protest, alleging a conspiracy between Ferrari and Fiat (which controls the sports car maker) to take the grand prix to the company-owned track at Mugello in Tuscany.

On Saturday, a delegation headed by Mr Gianni Letta, chief of staff to Mr Silvio Berlusconi the Italian prime minister, flew to Cannes to try to persuade Fig. to change its mind. Meanwhile, Mr Umberto Bossi, head of the Northern League, emerged from his all-night summit with Mr Berlusconi promising that an emergency decree would save the

According to Mr Moltifiori, direct and indirect earnings from the grand prix amount to L78bn

(\$44.87m) a year.

chandise from visiting fans, sales

at the stores were \$3m during the

World Cup, three times the aver-

onship of American Football, said

For the television broadcasters

the 52 World Cup games were a success by the standards of previ-

ous viewing figures for soccer in

the US, but the two networks

which showed the tournament

ABC and ESPN - were unable to profit from the better-than-expec-

ted ratings because all the adver-

tising time was sold before the

World Cup began. The US Span-

ish-language television network

Univision, however, did 📑 it

earned about \$24m in advertising

meeting during the III World Cup compared with just \$10m

W H Smith.

Italian observers seemed scepti-

about the Bossi-Berlusconi ceasefire, however. An editorial yesterday in Il Giornale, mi daily wspaper in it is part if Mr Berlusconi's empire, warned that the government only maintained popular support because Italians were terrified by the memory of the corrupt old political regime. "But what will happen the day those memories wrote the editor, Mr Vittoria Feltri. "Take my advice, Cavaliere [the nickname for Mr Berlusconil: instead of courting

Monza's hopes by asking Fia to agree to the installation of a new chicane before the bend, an alternative which the sport's authorities had already rejected. "A goverument which can't manage to stage a grand prix ought to give up and go home," Mr Moltiflori said on Friday. Fig has so far

stood by its decision. This holiday weekend Mouza was completely closed and almost deserted. A policeman on a bicycle, who was stopping cars from entering the historic centre on Friday, said he was disappointed: "After all, Monza is known worldwide for its grand prix, not for its trees."

Only the gatekeeper at the Monza circuit expressed anything like an inflammatory reaction to the decision. "There's only one thing for it now," he said with a shrug. "Revolution."

of German and international politics." Mr interior Hilmail UK defence secretary, said he was "a

be liman was Nato has ditionally manife the top job among member unlikely to provide a candidate as Lord Carrington was the secretary-general before Mr Wörner. Whoever is chosen will have to And with the head of Fells membership for seine European countries, following the "partnership for peace" pro-Nato is in likely in involved in rapid reaction forces outside its traditional areas of operations

Nato starts search for new leader

one of the greatest (personalities)

in Europe, and this will need deli-

from the Italy World Cup in 1990.

Greens save trees at expense of turbos

Frantic shuttle diplomacy, 📶 The object such frenzied

tree-hugging environto the Monza circuit, 📰 in an ancient royal park near Milan. Instead it has 🚃 📶 🔳 new unit of controversy. Environmental groups and earlier this year. Over several weeks, local and

Environmentalists - standing

And while the greens are

Profits reveal which companies

Continued from Page 1

ing strong interest in its soccer-boots during and after the tour-Another clear winner was W H Smith, the UK newsegency group which operates sirport and hotel gift stores across the US. Buoyed great servant of Nato and one of the bravest men I knew." Early indications were that any by demand for World Cup mersuccessor was unlikely

> If no solution to the Bosnian war is found before the autumn, Nato may have to deal with a resumption if full-scale hostili-

Breaking the link

exit multiple envisaged when the bid

was announced. A deal on these terms

would still enhance earnings.
Yet it is not clear that Esab is intrin-

sically more profitable than previously

thought. If economic recovery is sim-

ply coming sooner than expected, a

lower multiple and apply.

Besides, trade union during the bid to the bid besides the bid besi

more difficult to manage than

expected. A modest increase in the

offer to acknowledge Esab's improved

performance and try to satisfy the

recalcitrant institutions could there-

fore be the best way forward. Since

than before the bid was announced

walking away would be high

THE LEX COLUMN

Since the last time UK equity yields fell below those on index-linked gilts Strere price (SKr) was before the 1987 crash, it is not surprising that the current 10 basis point premium enjoyed by the latter is attracting attention. But direct comparisons are risky. The premium is smaller than it was in 1987 when equities looked seriously overvalued on other yardsticks too. The index-linked market, which is tiny in proportion to equities, is also notoriously lacking in liquidity. Though real yields of close to 4 per cent look cheap, they may not in practice have much room to fall. Marketmakers report a modest shift into index-linked paper by UK institufigures were undeniably impressive. If Esab's revised full-year profits forecast is right, Water would be to the its bid by 20 per cent to pay the same

to match long-term liabilities. But this demand has been readily matched with supply from the Bank of England. If it believes in its own inflation forecasts, index-linked gilts are obviously a cheap means of funding. They are also an alternative to the fixed-rate market where borrowing conditions remain difficult. Also it would not be surprising to see additional index-linked borrowing from utilities like water companies, which high capital spending requirewinth her revenue links to the retail price LLAL

ing index-linked market decouple equities. economic recovery also points to upward on real mines That need not worry equities as long as earnings growth is fast enough to allow dividends to rise in real terms. If prospect undermined, for example by higher base rates, would much harder for equities to

It is some comfort that the

institutions holding out against Charter's offer for Esab object to the price

rather than the principle. There is no

parallel with the Renault/Volvo affair.

Assuming that the level of acceptances due to be announced today falls

short of its 90 per cent target, Charter must simply decide whether to

increase its SKr345 a share offer.

While anything over two-thirds ownership would give Charter full control

under Swedish law, mopping up any sizeable minority could be less trouble

last worth made in the blick

holm market should put paid to the more outlandish assessments of Esab's

worth. But is company's half-year

Charter/Esab

in the long rum.

Swiss banks

The Swiss bank reporting season, which continues this week with first half results from Swiss Bank Corporation and CS Holding, remains under the shadow of the near 70 per cent fall in dealing profits announced earlier this month by UBS. The other two banks should also report lower dealing income. Indeed Credit Suisse, which is the main bank within the CS group has already announced a 35 per cent drop. To some extent such a development is inevitable since the big Swiss banks are actively involved in the bond market and carry large holdings on their balance sheets. But the Credit Suisse figures suggest UBS will stand out for the size of its decline. While the reason for this is obscure,

the SFribn fall in UBS first-balf trading income reveals a volatility in its

earnings um an which gives pause for thought about its traditional premium rating in the sector. Through the recession UBS was helped by a relatively sound han book and diversified sources of income. But this is a doubled-edged sword as there is now less room for bad debt provisions to fall. Lower spreads on international credits may also make it harder to boost net interest income with the hard quality lending which provided such a

bulwark in the past.
In the second half, CS Holding and Swiss Bank Corporation could reap further advantage from falling provi-At both banks last year's provisions were more heavily weighted to the mind but than the will like Their greater leeway to for shrinking dealing income may give their shares a relative edge.

Small companies

Nearly had media ago lie Stock came up with in the of smaller companies market based around the currently trade under Stock Exchange Rule 4.2 (Rule 535 (2) as was). The exchange like to rush things, particularly when it comes to junior There is still no date for the promised consultation document and h lade increasingly unlikely that the market could be and running by the end of

But enthusiasts are confident the Charter's shares are 12 per cent higher exchange is at least on the right track the cost to its own shareholders of towards a screen-based market, still lightly regulated but with much higher disclosure requirements - interpretation they are not waiting. Rutherford Asset Management has just raised £19m for a new trust specialising in Rule 4.3. companies and at least one other such trust is thought to be on the way.

The managers argue that the Rule 4.2 world is attractive already. Originally operated on the basis of matched bargains the la now growing bargains by marketmakers. Trading volumes are running at a fifth of USM levels, and rising. If the proposed changes attract more interest from specialist fund managers it might at last provide an easy and cheap route for small companies to raise modest amounts of equity. There is certainly a demand. The queue of companies waiting In join suggests IIII IIII relations became so strained during the recession, small companies are loath to rely on banks in the recovery.

his week:

RECTROOM CO.

Suro reco

set to rem

Median.

"I'm sorry sir, but who's going to buy designer clothes direct from a catalogue? - Next!!"

Having the capital to back a big idea is only half the secret. Having the vision to spot one is the other half.



In Style

Europe today

High pressure will dominate the Benelux. giving only light cloud and afternoon temperatures slightly below average. Along the m flank of the high, showers forming over the North Sea will enter Germany and Denmark and some will reach Poland. A depression over the White Sea will give rain in Finland and parts of the Baltic states. A cold ated with this depression will mark the boundary between cool air over north-west Europe and warm air south of the Pyrenees and across the Mediterranean. It will be hot and sunny III southern Italy, Greece and Turkey with some temperatures well above 35C. It few thunder storms will develop along

Five-day forecast The Mediterranean will stay warm and sunny.

Low pressure will develop over France, pushing warmer air northwards. Later this week, thunder showers will form over France and then move into central Europe. Conditions will temporarily become settled over Scandinavia, but only in the southern regions will temperatures exceed 20C. Western Europe will become very unsettled in the middle of the

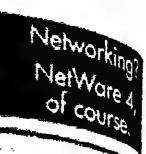
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MARKETS



BRONWEN MADDOX: GLOBAL INVESTOR In spite of rallying on Friday, the US bond market remains remains that the Federal Reserve will use Tuesday's meeting of the open market committee to raise

short-term interest rates for the fifth time since February. Both bond and equity markets are in a frame of mind none of Fig. 1992 that Fed might adopt 1992 reassuring. 18



The British signalmen insist that they should be paid more for past increases in productivity. This view is a cliché of the UK economic debate. But the idea that every worker should be paid more for producing more is a demaging mistake, because it must lead to persistently high unemployment. Page 1

The Australian government bond market has been braced for a rise in interest rates for at least the torces we overwhelming political manufacture in delay me move.

As preparations privatisation Renault gather momentum, share analysts and investors are running their slide rules over the French Page 21

EMERGING MARKETS: Investors in Mexico's stock market are betting heavily Mr Imme of the governing party will win the presidential man Sunday.

Markets will be on an interest rate alert after a sharp wake-up call tast week from the Swedish and

COMMODITIES:

Traders in London will be eager for the co futures market to open this morning because it will be the first opportunity to react to the US Department of Agriculture's report assessing the extent of frost damage to the 1995 Brazilian coffee

UK COMPANIES:

Reed Elsevier, the Anglo-Dutch information and publishing group, is today expected to announced details of a compensation package for Mr Peter

INTERNATIONAL COMPANIES: Charter, the UK industrial group, will today announce whether it will increase its £260m recommended bid for Easb, the world's largest welding equipment supplier. Page 17

London share service -28,29 Managed fund service 28-27

Companies will live with derivative risk

the UK's top companies regard derivatives as a possible systemic risk to financial systems while 16 per cent see them as a definite risk, according to survey con-ducted by Record Treasury Man-agement, the Windsor-based currency hedging specialists.

Success that

comes with a

smaller role

ecalling how many US banks used to operate in

banks used to operate in Europe, Asp-bury smiles. Bank of

Waterbury, Connecticut

31bn asset bank, and it had m

says the man who is rebuilding

Banking's European

arm from the attrition It suffered

There are many fewer US banks in Europe now, but those that remain earn far more. As

the big money centre banks such

as Chase Manhattan, Citicorp

and Chemical have reported half-

year results, they have shown the transformation of European

operations which used to be ill-

focused and provide low returns.

It is not possible to tell the exact contribution of Europe to

results such as Chase's 32 per

cent leap in second quarter post-

tax profits to \$307m. Most banks report their results for operations

such as clearing and settlement on a global basis. But Europe

clearly gives more than adequate

facturers Hanover cut their

European presences during their

years of crisis before they merged

in 1991 to form Chemical Bank-

ing. The combined bank's assets

are 60 per cent of their peak; staff numbers fallen from to and European

offices been reduced from 42 to 23

🖿 return 📹 capital employed

in Europe in now above 50 per cent - more than 10 times the

1985 figure. "There used to be a

tendency to be everywhere, even

we were doing there," says Mr Aspbury. "We discovered it was

in the early 1990s.

London branch. It was insanity,

were mounted tolk in the management of risk, - the which deer responses 81 companies capitalisation of

A vast majority - 93 per cent expect their use of interest rate derivatives to rise or stay the same and 84 per cent also expect their use of currency

weren't, as what we were."

Other banks also made hard reappraisals at the turn of the

decade, as US operations were

suffering from over-expension in the 1980s. "We had to face pain-fully what we were good at, and

we could make our

operations more efficient," says Mr Tom Swayne, Chase's area

executive for Europe.

The result has been more than a recovery from lackiustre prof
Although US banks have struggled to break into protected.

and profitable investment bank-

ing activities in north Europe -

such as advising companies and

underwriting equity issues -

they now dominate some corpo-

The US banks have focused

Only Citicorp retains ambi-

in retail banking - with 304

branches in its largest operation in Germany – in spite of having cut costs by an estimated \$300m. Chase sold its 16

Spain in 1991 and closed a UK

Chemical sold its UK mortgage

countries where they were weak. Mr Swayne says Chase is active

in European capital mar-and project finance, III

needs outlets in countries such

as Spain and Italy. But it is more

in northern Europe

relying on distributing

• They have concentrated on a few industries. Citicorp opted to

focus on financial institutions

such as merchant banks and

insurers. It decided that it had

more opportunities there.

products from London.

arm in 1988.

rate banking businesses.

operations in several ways:

Il respondents us specially igned derimitme.

that disclosure is relevant but

preferred supervise the cent), followed by self-regulation (34 favour of specific legislation.

A central watchdog

The Office of Fair Trading is conducting preliminary inquiries into satellite TV company Brit-In Broadcasting's position

> If the OFT finds full investigation. The office yesterday said that it could not dis-

> received so far. Many buy in BSkyB's popular channels But it doing a doing prompted some Mattempt reduce their reliance on BSkyB

own cable only the bidsporting ments or films, for

TCI, which has large holdings in WK cable compa-TeleWest III Flextech, has held initial discount with BSkyB on taking and and

BSkyB refused comment on ile read and no one from TCI

It in not clear, however, where scope for another investor in BSkyB would come from. The main shareholders, P. W. son, owner of the Financial Times, which has ILI per cent, and Granada, with 12 per cent, are thought to be unwilling to reduce their holdings.

Just over half of finance directors

£182hm (\$282.1bn).

Almost all respondents n

only If we test to this this this things in the community to detailed reporting. Two-thirds favour reporting man use of antique in strategic immi only.

However the last to stay the same or increase. The derivatives play an important, dominant types of derivative tives should to stay the same or increase. The dominant types of derivative tives should to stay the same or increase. The

US banks have made hard reappraisals of their European operations, reports John Gapper

because cross-border financial

flows were becoming far bigger

trade in individ-

ual countries.
"Financial flows are 50 times

gross domestic product. The mar-

gins are lower, but the volume is

tremendous," says Mr Ian Cor-

mack, Citicorp's managing direc-

vices such as securities

settlement and clearing, and for-

eign exchange to 1,900 financial

• They have cut the number of

corporate customers and tried to

sell more complex products and

services to the remaining ones.

Mr Swayne says Chase's return

on equity from companies that

regard it as one of their leading

banks is three times the level of

cases where it only sells one

• They have built on their

strength in services where Euro-

pean banks have been weak. An

example is clearing and settle-

risk and war as a means speculation. They add that while the instruments are not a probproblems when they are insufficiently understood ar when their manufated man

tors, w principal manual in

ment of cash and securities,

which US banks have tended to

centralise at UK centres. Chase

spends \$45m a year on software upgrades for its infoserve opera-

The US banks gain advantages

of because they can

costs, and so prices. They can

ter. Finally, by tailoring transac-

tions services for their custom-

ers, they can create what Mi

calls "a series of webs"

that make it make for them

Yet in spite of their successes

in the past three years, the US

banks still have some way to go.

One thing that has held them

back is the fall in credit ratings

which made some companies

reluctant to buy services from

them. The problem is now easing

as their earnings recover and

A greater difficulty is that the

US banks have relatively poor

switch banks.

they are upgraded.

89 c of respondents their own treasury teams the suitability of the products and 45 per cent do their

in the UK satellite and The office with lan month to nine milir companies asking whether they had had problems obtaining programmes from suppliers. It particularly interested in BSkyB's charges is cable

been problems it will launch cuss the responses II had

by buying programming for their

ding which push the price television rights to example.

When of the inquiries came as

Il emerged that want cable companies, including Telecommunications Inc (TCI), the larg-El cable operator, have approached BSkyB arm taking E stake in the Miles broad-

the two sides were reported to be due a gain shortly.

lateral a cable operator and BSkyB would be to secure BSkyB channels and avoid bidding wars for programming. There also speculation that Mr Rupert Murdoch, whose Ve-Corporation per cent is involvement in cable television.

This week: Company news

ELECTROLUX/ERICSSON Euro recovery set to refresh Swedish giants

interim reporting season will get under way this week when two manufacturing heavyweights, Electrolux and Ericsson, present firsthalf figures. Electrolux, the world's leading

manufacturer of household appliances, is first out of the trap and its results tomorrow are expected to show a doubling of profits from last year's SKr763m level. The company is benefiting from a combination of stronger-than-expected recovery in Europe, healthy sales in the US, and cost-cutting. The average market forecast is for half-year profits of SKr1.52bn and full-year profits of SKr2.9bn (\$380m), excluding capital Ericsson's first-half figures, due on

Thursday, are also keenly anticipated with analysts looking for profits of between SKrl.8bn and SKr2.6bn compared with SKr1.28bn a year ago. The performance will be driven by booming sales of mobile phone systems where the group has established itself as the clear world leader. Some commentators believe sales and order growth may have eased slightly in the second quarter, although both figures are still expected to be 20 per cent higher than a year ago. James Capel in London forecasts an increase in full-year profits to SEr5.05bn from SKr3.1bn in 1993.

The high expectations for both Electrolux and Ericsson reflect the wider confidence that Sweden's big multinationals will be presenting exceptionally strong half-year figures over the next three weeks.

Three factors lie behind the boom: the 25 per cent slump in the value of the Swedish krona since late 1992, radical cost-cutting over the last three years, and the growing European economic recovery (particularly in Germany, largest export

FT-SE-A All-Share Index

since 1985.

Optimistic signals from US and cable TV

BICC, one of the big losers of the Malaysian government ban in February on contracts to British companies, should have some better news to report when it announces its interim results. on Wednesday. They should show a further

improvement in the group's main UK and US cable markets, with pre-tax profits expected to nudge above £60m (\$98m) for the six months to the end of June compared with a restated £50m for the first half of 1993. North America is thought to have moved back into the black for the first

time in three years, helped by the

general improvement in the US

economy and a rationalisation of company's North American business. The cable television revolution in the UK should mean increased domestic profits. Cable television is providing good business for BICC, the UK's present producer of optic fibre cable which is increasing substantially its share of the market. The company is also the biggest producer, outside of the US, of optical fibre used in the

manufacture of the cable. Balfour Beatty the company's construction subsidiary, is thought to have made another useful contribution in the first half. Earnings should be sufficient to cover a maintained dividend but increased

payments to shareholders are still some

OTHER COMPANIES BCI poised for new capital-raising issue

bank, plans on Thursday to launch its first capital-raising exercise since privatisation - an issue of shares and varrants which should raise L2,362bn (\$1.51bn). In the last two months, two Italian hanks - Cariplo and Mediobance - have been forced to postpone share sues because of market turbulence. But the price of the BCI issue has been set at a discount - L3,000-a-share against a market price of more than LA,400 - so should avoid the same fate, in spite of the turmoil in Italian equities last week.

On the same day, shares in Telecom Italia, the new residence of state-controlled telecommunications operators, will start trading. Telecom. Italia was created in May from the fusion of five existing company including Sip, the domestic telecoms operator, and became the sixth largest telecoms group in the world. Following ■ complex share-swap, its shares will replace those of Sip on the market, while shares in Italcable will be

■ NedBoyd: The Dutch shipping and road-haulage group is expected to show a further rebound in profits when it publishes second-quarter results Wednesday. The company, which launched quarterly reporting earlier year, swung into a slim Fl 10m (\$5.6m) profit in the first quarter from

expected to have accelerated in the second quarter, thanks to strong growth in world trade flows and firmer

■ Sony: The best-known name in se consumer electronics, reports its first-quarter results on Thursday. The consolidated figures will cover its worldwide operations, but the parent company has been struggling to deal with the domestic downturn. The group has forecast a recovery to Y40bn (\$404m) this year.

Maria ABB Asea Brown Boveri: A recovering European economy is expected to be reflected in the first-half results of the Swedish-Swiss multinational industrial group on Wednesday. Forecasts are for pre-tax profits to be up 17 to 37 per cent. The group is expected to surprise markets by reporting a first-half net profit figure for the first time. On average, analysts

Companies in	this iss			<u>.</u>	
BSloyB	_	Esab	14,17	Philips	12
Charter	14,17	No.	17	Reed Elsevier	
Confederation Life	1	EM	17	Reset	2
				Spring Rem	1
Dahon	. 17	Paldstan Telecoms	17	TÇI	1
Emeo	44.	Pharmat Vision 2000	17	Winterflood Secs	-

with his 15-31 have

tors in Europe. They have

private lit placements for

European companies in the US, but would find it hard to repli-

feat in

Building their profits in more

their role III financial

in northern Europe will require

them to make deeper inroads into

securities. For the moment, even

not enough for

head offices in view Europe

as a growth region in rival

"If I went back to New To

and I I

equity to invest in a product line,

it would probably not be top of

the list," says Mr Aspbury. Even

with Europe once again making

decent profits, the days when all

US banks had to have a branch

in London or Paris are unlikely

to return.

the achievements of the past few

intermediaries.

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COMPANIES AND FINANCE

Reed Elsevier set to reveal Davis package

Reed Elsevier, the Anglo-Dutch information and publishing group, W today expected in announce details of ■ compensation package for Mr Peter Davis, its former co-chairman.

The follows lengthy negotiations between III group's lawyers and actuaries, who working on the package since Mr Davis resigned in June upper changes in management responsibili-

Although Reed Elsevier declined in declined sums involved, city analysts he could receive up in with in cash, along with share options in pension ben-

company, however, described weekend reports valuing 🔤 final compensation deal at more than £2m as "pure speculation"

Mr Ian Irvine, replaced Mr co-chairman — co-chairman — The package

in maximum that could have lim paid under 🖿 terms of his contract." His predecessor was on a

three-year rolling and earned almost last year, including performance-related bonuses. Speaking after Im group

arresaced in interim media last week, Mr Irvine pointed out that the package had been adjusted for "mitigation" - reflecting the likelihood I Mr Davis securing another job. Reed Elsevier leaded to

make a separate announcement un the compensation "we felt it was much link the act as closely possible in the risk if the act", Mr Irvine added.

Mr I resigned after Reed Elsevier's executive detion the co-chairmen dutti monthile on and management development and corporate communications - leaving responsibility for

Emap pays £11.25m for three golf magazine titles

Hollinger

Emap's golf handicap improved ibstantially as the three of the sport's had known UK magazine for III

Emap is buying we World. Golf Weekly and the magazine Golf Industry News, as well as the rights to re-publish articles from the US pany's Old Digest title.

The UK company already owns Today's Golfer, described m magazine for the player with a handicap of 16 or more, and Fore!, wild is simed at helping the limital golfer improve his we her game. It also owns (in golfing like in as a result of the recent £108m purchase of

Emap Pursuit,

Mr Dennis said. World, a monthly largest of the Unit Ul bought by Emap, has a circulation of over 80,000. It reaches more than 700,000 with with

copy in clubs or shops. The titles were marginally losemaking last year on of £5.6m. Emap said it expected.

■ IPC Magazines has in buy five titles, including The Field and Sering Times, from the Dally Mail A User the number of Gemms to which which is of

Spring Ram gears up for exports drive

The new management team's recovery programme is under way. Andrew Bolger reports

There are signs 📰 just of recovery but of expansion M Spring Ram, the Yorkshire-based kitchen, bathrooms and furniture group where institutional investors 🖛 year forced 🛚 boardroom shake-out.

The new management team led by Mr Roger Regan, the building industry veteran who over mexecutive chairlast July, is investing £5m to start new bustness. This follows the acquisition of furniture company from BTR in June 📷 the launch of an export drive.

The new management's enthusiasm scarcely reflected in Spring Ram's share price, which has fallen sharply since the man became concerned about the outlook for the building materials and the big DIY natilities Spring Ram supplies.

But analysts will be looking the longer and outlook when us group reports its half-year figures In August 31. Although they my forecasting pre-tax profits of to me in the current was they had that profits of more and £30m could be by 1996, depending the request of My Regan's

The purpose builties and increasingly popular technology, developed in Japan, which in cheaper chipboard and learning furniture be covered with wood-

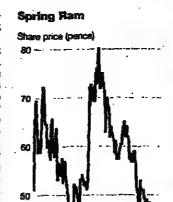
grain and other decorative finishes, at a fraction of the cost

of wooden products. It is due to start production in November, and will use a 97,000 🔳 🛚 factory alongside the group's Regency Doors plant at Barnsley. The start up being masterminded by Mr Hartley Nova, wind joined the group last last and a second ing director of Regency Doors. He was previously managing director of Homeworthy, the Silentnight business. The cabinets business has the biggest share of the £150m UE market for foil-covered furniture, which grew by 66 per cent

A £42m rights issue in Januar all given Ma Mana flexibility in make bolt-on acquisitions. The issue bolstered the group's balance following last year's pre-William of Salan - Which included was of provisions

and with Live In June, Spring Ram's Stag subsidiary paid BTR £5m for the Rest Assured mup of companies, which hand-crafted furniture. Mr Regan said would would Stag, which bedroom and dining man furniture, La miles recalling an enlarged

Not all the news is positive. Artisan Tiles, the lossmalling Frankini plant which has here making ceramic since



However, the man is upbeat ildii Regency Ildiii which III ildii Regency identified as a possible because for clo-110m les year, Mr Regan now question of closing the plant, which employs nearly 300 people - mail of them for-

Mr Ilegan min the group wa on - or slightly ahead of - its plan Regency to return to profitability by 1 Moyes said this despite appalling inheritance of fective management in key arms - in particular of production and material control systems,



Roger Regan: kitchen division in a 'sleeping giant'

A new in the same of the same of Regency brought in consula new team recruited. Inch have been cut, the cash out-flow controlled and improved training has 🖃 🖩 a sharp increase in the output per trainee. New doors have been developed and the latest catalogue shows more than 20 dif-

ferent designs. Mr Regan reckons Regency needs only 15 per cent of the UK doors market, which it estimates at £250m, but is also anxious not to provoke his main rivals into price war, could hurt has launched an export drive, focusing on Europe, South Africa, the Middle and the US.

Exports are was a priority for Spring Ram's bathroom division which 🔤 year 🔤 money, in spite of having of £60m - nearly a third if group turnover.

Bathrooms, the world's argest manufacturer 🛂 acrylic baths, makes money - as down the group's showers business. But these profits are wiped out by losses M Spring Bathrooms. hich makes high-volume itary ware.

Mr Regan III raised prices, partly to prid of non-profitable business. Output of cheaper units has been au from 16,000 u 12,000 m with 📭 📹 about 80

are the only significant job man made by Mr Regan - not counting 1 27 former Spring Ram directors who have we departed, including several who millionaires through

The market a particularly good export opportunity, according m Mr Regan, who lum trail increasingly in H on III luxuriousness of

their bulbers fittings.

The whole Spring Ram exported only about library worth of goods last year, out of sales of Chr. In Mr Regan believes that sales could be mised E 660m

An important element that exports drive all be the group's ultra-successful kitchbusiness, which last year made operating profits of on sales II III Regan describes the kitchen division, which accounts for 12 per und of the total I market, 🎟 a "sleeping giant",

He said: "The China sup ply about 7 per cent of the UK. kitchen market. There's no why British kitchens should not supply a management proportion of III German and French markets. There will always 🖿 demand - particularly for the English country kitchen style, using lots wood."

Analysts can be un of a more presentation of the interim figures from the than they were accustomed to from his prede-Mr Bill Rooney, the m founder of Spring Ram forced out la The team discovered that Rooney had planned build a gantry the Mi, which adjoins Regency's Barnsley welcoming mount in York-

Mr Regan quickly shelved that idea, but jokes that he knows just what he will do when the Regency plant, which is currently painted bright red, stops losing "I'll paint

sports publishing arm, said the company was confident its golf market was set for contingrowth. "It's a IIII III that fishing a few person It was once exclusive and available a everyone,"

people picking up

cing in ser in full financial

Winterflood enters gilts market

The man in the number marketmakers in UK government could ing u an and with um entry into iim market today 🗐 Winterflood Securities, This small companies have

In the past year, Hoare Govett, 🖙 📭 stockbroker which belongs to ADM Amro, the Dutch bank, Merrill Lynch of the Lynch Yamaichi of Japan lime learne gilt-edged marketmakers (Gemms), attracted by the improved profitability in trading gilts. entry brings

the Me 1980s that Initial Meni participants m withdraw. Unlike the larger

which bear on large-volume trades. Winterflood will on rital and smaller institutional investors. Therefore. It will not imposing a minimum of lands. "There is a reasonable

and the business in gilts - trades of anything up to £1m - which many people in market up not in the in doing," said Mr Brian Winterflood, chairman and lood He added that there was potential for the gilts to be opened

further in smaller investors. especially if the government

personal equity plans.

BZW Internal Manage plans to capitalise on renewed commodi-by launching a commodities fund institutional investors. The Jersey-based investment comwill launched month and wexpected to attract up to £100m.

The benchmark for the fund's performance will be the Goldman Commodity inici militi includes wide range of immunities, including livestock, agricultural

CROSS BORDER M&A DEALS						
BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT		
Commercial Union (UK)	Vote Made	insurançe	£1.5bn	announced		
CIBA (Switzerlend)	(US)	The same of the sa	and a	re-structuring		
Corp International (US)	Group (UK)	Funeral Services	£113m	Second final bld wins		
Appointments (UK)	New Indiana	Business services	\$21m	Sixth buy in m		
Ranger Oli (Canada)	Union IIII III (UK)	UI I ON	£13.2m	Agreed bid		
	um of Stein & Heater	Optical Equipment	£11m	loptex disposal		
Pylies (ireistici)	JA (Germany)	Food Distribution	£7.9m			
	Starobrno (Czach Republic)	Brewing	28.9m	Czech brewing draws foreignera		
Parket	(South Africa)	Publishing	24.5m	Stake = 34.98%		
Bemrose (UK)	(US)	Premiss 6.	£3.7m	Purchase completed		



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Built in 1931, The Dorchester was designed as the perfect grand hotel; sitra-modern in 🖿 convenience, yet 🔤 🚾 La 🚾 atmosphere 🔤 service. In fact, launch advertisements introduced The most modern and luxurious [11] in the world" & year after opening, the new hotel was established as a favourite with film stars and society hostosses alike.

After a two year face lift, The Dorchester responed in 1990, as glamorous as seem with all its opulout interiors restored to their original glory. The most advanced facilities are available to guests and the standard of survice has been raised to give an estounding ratio of three staff to each room. It is no wonder guests come back time and tune again.

Dorchester and Sand Market Dorchester Spa and Market restourants, including 🔤 🚥 Oriental restaurant, 🗪 🖼 ophancing the botel's renown amongst the world's gournets.

The Personner metho at the set of pamporing. I truly is in living tradition of the grand hotel. 🐚 quote another 1931 udvertisement, it is 'a triumph of comfort and hospitality".

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The Financial Times plans to publish a Survey on

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Non-transferable tender documents can be purchased against payment of tender toe (non-refundable) through Bank draft/international Postal Ordor in US currency drawn in favour of Dy. Director (FSA), ONGC, The Bank Draft/International Postal Order should be made payable at the place when the tender documents are purchased. Indigenous manufacturors having suitable technical backup/losow-how and manufacturing facilities are also algible to quote against those tenders. In their case

The offer will not be considered without tendor fee. However, the firms registered with NSIC, duty also registered with ONGC, are exempted from payment of render fee for the some they are registered with NSIC and ONGC. The Government Departments are also exempted from payment of tender fee. The firms registered with ONGC are enampted from payment of tender fee. The times registered with ONGC are enampted from payment of tender fee in ouise of limited lenders only in resembled from payment of tender fee in ouise of limited lenders only in resembled.

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[1] DBG, ONIGC. Tel Bhasan, Detractur-248003 (rails) between 1400 hrs. to have two on any working day. No bander documents will be sold on the closing date. All prospective bildden may contact or address their roquest to: Dy. Director (P&A), DBQ, CNGC, Tel Bhevon, Dehre Dun

The tender documents can also be purchased from the losswing: The Officer-in-Charge, (T&S),
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Director (MM) Oli & Natural IIII Corpor 7th Flace, Tower-A New Dethi - 110001

Collect Street, Ballard Estate

60, Jawahar Lai Nohru Road Celcuita - 700071 4. Dy. Director (MAI) DBG, Ok & Natural Gas Corpo 8th Floor (West Wing) No. 8 Gandhi Irwin Ross

Terzier specifications, if required, can be seen with the tender setting agonor In case of unschoduled holiday on the prescribed closing/opening day of lunder, the tlent working day will be leasted as scheduled day of closing/opening. ONGC reserves the right to accept/reject any tender without assigning any re

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. US \$100,000,000 Range Floating Rate Notes 1994 to August 15th, 1994 the coupon amounts payable August 15th, 1994 the coupon amounts payable August 15th, 1994 have been calculated as US \$0.00 per US \$1.000 note,

ÖSTERREICHISCHE

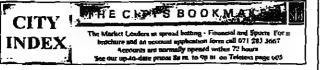
per US \$10,000 note and US \$0.00 per US \$100,000 note. For the interest period August 15th, 1994 III November 15th, 1994 the rate of interest will be 5.625%. Libor was 4 875%. Swiss Bank Corporal Agent Bank

UK MANUFACTURER WANTED aring Group seeks merger, acquisition in sharchilding with cturing going concern in the UK - valued upwards of Elen. Onnet in strictles confidence. Europeas Amalgamations -Tel: 071 495 1720 Fax: 071 499 6279



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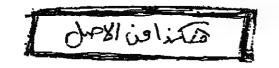


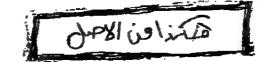
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COMPANIES AND FINANCE

Charter ready for next move on Esab

en Bolger reports

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9. 47.

Charter, the UK industrial group, will today whether it is willing to pay more for Esab, the world's largsupplier of welding equipment, than the £260m recommended bid rejected by an important group company's institu-

tional shareholders.
In spite bad bad engendered is both is in week, it appeared unlikely was terday that the UK company would carry out a threat to "walk away" from Esab, the

allowed it to do if Charter week when five Swedish insti-failed - as it did - to win 90 trained represented a 20 per failed - as it did - to win 90 per cent acceptances.

"Charter still thinks Esab is great company. Il really believes it can bring something to the business," said a source close to the deal, which would more than double Charter in size and add a long-sought fourth arm to its operations in building materials, coal and rail track equipment.

Most shareholders in Stock-

holm expect Charter will either raise its bid, or hold for the time being to the majority of the voting inpital it has

Charter was a remai last

SKr345 a share after the share price had shot up to as high as SKr365 since the bid was made in late June.

The UK company already assured of 53 per cent of the voting capital, mainly through it. by controlling shareholder, Incentive, ե industrial group, and may have remind ours by its be the day's dealined and disease had bads the hill smallrives. on achieving m complete Line

Teb familias mans

the biggest institutional shareholder, the Fourth Fund, a state pension fund with trade union representation on its board, rejected a campaign by trade unions within Esab that argued Charter was a hostile foreign predator likely to run down its Swedish operations.

"In fact, you can argue that Charter is good for the Swedish operations. Charter has no existing overlapping business rationalisations," said a senior

stitutional director. The main shareholder comtheir objections to its bid were plaint is that the price of See Lex

was made represented a 20 per cent premium, no longer offers mium on an updated valuation of the company based on the share price and enhanced earnings "That is a fact," Mr Bengt Eskilsson, chairman, acknowledged last week.
Esab, with annual turnover

of SKr7bn (\$900m), has recently surged back into profit after programme of heavy restructuring and is forecasting greatly improved earnings as international demand picks up. Most of its production and markets are outside Sweden.

Mr Blocher noted that the up from 155,000. Its total hold-

Craftsmen are put in the saddle at Taiwan's Dahon

take leaf out of early manupride and craftsmanship to Z less some of le

The laine company recently opened a new facility production methods are modelled **union** of **to** Dutch

subsidiary. In Taiwan, Dahon until now been made on an assembly line, and in the at least, will continue to be. Dahon is setting up a smaller, parallel work-shop for top-of-the-range mod-als where one worker will be responsible for building an bicycle.

"Compared an optimassembly line as developed by Henry Ford, it's majority have person build an Mr Hon, son If the company's founder, David Hon. I had advantage le le quality better, pride in The workmanship in much

neticulous." Birth bicycle made in the I in a factory is sold with a sticker bearing the name of the worker who assembled it.
The Netherlands facility was

set up in early 1992 to improve service and increase European ales. Perhaps surprisingly, labour costs in Europe are not significantly higher than in Taiwan, Mr Hon says. Also, when one factors in Taiwan's high employee turnover and the costs of recruiting and training new workers, and the resulting impact on productivity and quality, one comes out

even, he says. In a little more than a decade, Dahon has grown to a company with annual revenues in excess of \$10m and annual unit sales of between 90,000 and 100,000, accounting for more than and of the internabicy-

The story of Dahon is in an archetypal 📖

ahon, world's bigahon, foldable elder Mr Hon was born in Canbicycles, hoping ton, grew up in Hong Kong and attended university and graduin the US. During the crisis in the mid-1970s, Mr Hon began tinkering with a prototype folding bicy-cle in his garage while pursuing a career as a laser physicist at Hughes Aircraft in Los Angeles.

The original was bicycle which be by commuters in cities such m Los Angeles where

The world's biggest maker of foldable bicycles is aiming to improve quality in its top-of-the-range models, writes Laura Tyson

public transport in not particularly and A commuter train station, fold I carry it, he ride O to the sides. In III Mr Hon quit Hughes

Aircraft is launch his own mergen. He show Taiwan for plentiful supply in sourccomponents.

corporate history chequered with challenges. I from the sharp appreciation Taiwan dollar b 📗 🔝 and a subsequent jump in land and labour costs, in Minarities in training and retaining skilled

ntil recently, Dahon but now it is strugfend = man of competitors - some whom former employees with undercut Dahon's market with cheaper copies. The Little Dutch-style production facility is just another bid ... one step and of the competition. Another men to

in the second and

development of new models including a selection of folding mountain well as city bicycles. In addition M assembling bikes in the markets in which they will is sold - thus avoiding import Dahon Mally beginning In source components offshore in places such as China, although engineering and quality not yet match Taiwan

standards Mr Hon has that given the higher retail ma m a Dahon bicycle - the price cent and 100 per cent a comparable == folding model - market approaching satura-

Without IM capital volume and thus production remain high. Dahon talking with potential partners years, but no pact has been Haram H Carl

down point the retail price just 20 u 25 cent higher than that a many bikes," explains Mr Hon. "If a can that, believe our market wall expand dramatically. If ____ buy a a normal bike, but had the you'd probably be willing bit more."

single biggest obstacle reducing stranglehold on the world market in derailleur gear systems held by one Japanese company, Shi-mano. For Taiwanese bikemakers, the derailleur alone accounts for about half of the production cost of a bicycle, Mr Hon estimates.

Dahon's best market has historically been Japan, but the rest of Asia, especially Hong Kong, South Korea and Taiwan, is growing quickly. The younger Mr Hon believes this is due to the fact that there is such a premium on space in crowded Asian countries. The US market is unlikely to see much growth, he says, but Europe has much

IBM rethinks plans for PowerPC chips

By Louise Kehae in San Francisco

International Business Machines has from plans for wavy promoof land microprocestechnology, with Computer Land as replacement for the Intel chips dominate the personal computer industry.

The reversal raises questions about IBM's declared strategy
PowerPC architecture for a broad range of its products.

It may also be a setback for IBM's partners in the development of PowerPC microprocessor chip. Intel, the world's largest chip maker, will in contrast undoubtedly bealli from THE REPORT OF THE PARTY AND THE enter into PC technology

Rather than pushing customers to accept the new technology, the IBM PC division will let the customer decide", said Mr Rick Thoman, IBM senior vice-president and the new head of IBM's 💌 business.

Mr Thoman is a long-time colleague of Mr Lou Gerstner, IBM chairman and chief executive. The two worked together for 22 years, at American Express and RJR Nabisco, prior to joining IBM.

"PowerPC technology capabilities that don't mid in current technology in terms speed," will III. negatives | PowerPC laterina II does not him an application

and the same public smbiva sharp contrast 🐚 🖾 heavy of the technology by of ing IBM Microelectronics, the semiconductor division which manufactures PowerPC chips.

His position also represents a change of strategy for the IBM PC division. Last November, just before Mr Thoman joined the company, IBM's PC marinthre literated an unprece effort in promote Comdex, big-PC industry show, there are clearly advantages in avoiding a marketing that could undermine its limit PCs.

Mr Thoman said PowerPC may have greater alguificance in the high-end and mid-range systems parts of IBM "which still generate the bulk of IBM's revenues and profits". But without a solid base in the personal computer market, the future of PowerPC technology seems uncertain

BZ fund buys stake in Glaxo

patent situation on Glaxo's

By ian Rodger in Zurich

Philippi Visite 2000, 1he in the least fund conacquired in the Glaxo, in world's a largest pharmaceuticals Part Vision, known for

its large holdings in Roche, the Glaxo fitted well with its preference for companies that have ■ research-intensive strategy. "It is stronger

focus on the development and manufacture of pharmaceutical products than Roche. No other company demand and large francial and farmers married in pharmaceutical research." Mr Christoph Blocher, chairmen, in in interior report

most successful product - Zantac, an anti-ulcer drug - was unclear, but "our assumption is that revenues from the company's new products will, in the medium term, more than offset the expected loss of income from Zantac". He hinted that Pharma

Vision could well raise its Olan stake, milimi SFr56.4m (\$42.7m) at the end of June, once it had seen the impact of recent management changes. Meanwhile, Pharma Vision

again raised its holdings of Roche securities in the first half. At June 30, it held 200,000 bearer shares worth SFr2.54bn, up from 135,000 at the end of 1993, and 160,000 dividend right certificates worth SFr1.02bn,

ings in Roche, including options, represented III per and portfolio at the end it sold part of its holding in

Ciba, the Swiss pharmaceuti-cals and chemicals group, dur-ing the first half and said the rest would be sold during the second half. Pharms Vision said in Pehruary that it did not agree with Ciba's diversifica-

The fund's net asset value of the end of June stood at SFr3.47bn compared with SFr2.86bn at the end of 1993, due mainly to the SFr530m proceeds of a February rights

rose marginally to SFr4,653 from SFr4,606 over the same

Pakistan telecoms sale under way

By Farhein Bokhari in and

The partial flotation of Pakistan Telecommunication Corporation, the country's monopoly telephone service, today, side government offering Rsibn EL PTC

1 per cent of of the corpora-

tion's worth, but the govern-

The sale represents less than

ment plans to privatise a further 26 per cent next year, posribly to a "strategic investor". who would take over manage-

ment of the concern. Objections from the armed forces, who feared the sale would compromise Pakistan's security, delayed the sale for some two years. The government has since said some of the money raised through the sale will be used to set up a

armed forces.

PTC unions opposed to the privatisation said at the weekthey would trom today unless the government abandons the sale. The decision was taken at a supreme council representing nine unions, in spite of a ruling from Pakistan's top labour court that such a strike would be illegal.

UMTC URBAN MASS TRANSIT COMPANY LIMITED URBAN MASS TRANSIT COMPANY LIMITED

PRE-QUALIFICATION NOTICE LIGHT RAIL TRANSIT SYSTEM - HYDERABAD, INDIA

The Urban Mass Transit Company (UMTC) having ill registered office at 8A, Hansalaya, Road, Delhi 110 001, India invites expression of internationally reputed agencies/firms/consortis, to be prequalified and shortlisted for ilminimentation of the Light Rail

The system (LRT) project Myderabad, India. With the liberalisation manage initiated by the Government of India, infrastructure projects are being offered m private sector for upgradation, development, operation, maintenance etc. In the process, it is imperative that internationally recognised commercial formats such as Build, Operate, Own, Transfer (BOOT) and its various acronyms be

considered to enhance the pace of modernisation. The UMTC has been jointly promoted by the Government of India, the Government of Andhra Pradesh, financial institutions and private organisations to conceive, design and implement the

infrastructure facilities in transport particularly for Urban Transit..It | envisaged that the UMTC would also foreign collaborators who have expertise in the mass transit systems to subscribe the capital. While identifying the needs and priorities of infrastructure development across the country as well an business opportunities, one of the projects proposed III 🕍 undertaken for implementation is the Hyderabad Light Rail Transit System (Hyderabad LRT).

The city of Hyderabad ii the Pradesh. The Hyderabad LRT is spanning 14 kms arrest tr

spanning 14 kms arrow Hyderabad-Secunderabad twin aligned through congested corridors recommended in water, transportation studies. Most of the proposed twin track system is on an elevated carriageway between Kukkatpalli and Afzalgani (18 kms) as Phase I and Afzalganj = Dilsukhnagar (6 kms) as Par II.

Based on the traffic projections of previous studies, the capacity of the system envisaged # 4.55 million passenger kms per day by the year 2011. The UMTC has already commissioned an in-house study to establish the system parameters and tentative route alignment. The overall man and rolling stocks should be of latest design and incorporating the state-ofthe art technologies, as replicable model for induction at other cities. To supplement the funding and account for the

project, il is also proposed to commercially develop the air space above or below the railway stations into commercial complexes which would form the integral part of the project under turnkey implementation.

The parties may express their interest in submitting a composite offer for phase I of the project for the following services - BOOT format or turnkey basis:

· Detailed design of the _____ including all civil works and structures, light rail vehicles, signalling and tele-communication, automated fare collection, maintenance facilities · Property development at stations and nodal inter-

change points including associated architectural and agency ----

Construction of all civil and structural works.

Manufacture, supply, erection, installation, testing and commissioning of all the components of the system such rolling stock, power supply, signalling and telecommunications, automated fare collection

 Provision a auxiliary services such as fire fighting, all conditioning, public address, surveillance, escalators, information/accounting

* Training of personnel in operation and maintenance.

 Financial packages comprising of equity participation, loans, export/ commercial credits, government grants, bilateral aids.

While the UMTC | particularly interested in BOOT operators providing expressions of interest, agencies desirous of submitting turnkey expressions of interest with financing would be encouraged.

Interested agencies are advised undertake i i i i and collect project data including feasibility and location survey reports from the co-ordinating agency. Based on

the preliminary civil engineering surveys, alignment and locations have been finalised. The land requirement we been assessed and action initiated for its acquisition. Mapping of over ground utilities has been completed and that of underground utilities is nearing completion.

Agencies desirous and interested in the project are required III submit details of their activities, expertise, capabilities, financial major projects handled etc. Those who have already submitted introductory letters are also required m resubmit fresh application with the necessary documentation in specific reference us this advertisement.

The UMTC reserve their right in accept any of was applications reject all of them without assigning any The selection of agencies for participation in the tenders will in ill sole disof the UMTC.

Please forward your application in triplicate reach us within 45 days from the date of release of III advertisement addressed III

Mr. Ashok Totlani, Executive (Projects), Infrastructure Lessing
Financial Services Ltd., Mahindra Towers, Road 11, Worli, Bombay 400 018, INDIA Tel: 111-11 5127/492 6200. Fax No: 111-111 0080. Telex No: 011-74474

Additional Interest 5 The Walt Disney Company

U.S. \$400,000,000 Senior Participating H Due Quarterly Statement Dated: August in the period from April 1 to June 30, 1994 (the "Period")

Semiannual Statement for the period from February 28, 199_ to August 31, 199_ (the "Period") Annual Statement

Annual Statement for the period from September I, 199, to August 31, 199, (the "Period") for the period from September 1, 1992, to August out 1992, use a format of the service of the above-referenced Notes, this Additional Interest Statement (the "Statement") is being furnished to I had not of such Notes of The Walt Disney Company (the "Company"). Capitalized terms used in this Statement have the unsanings ascribed to them in the Notes and the Postal Agency Agreement, have the unsanings ascribed to them in the Notes and the Fostal Agency Agreement.

Walt Disney Company (the "Company"). Captures on the Fiscal Agency Agreement, have the meanings ascribed to them in the Notes and the Fiscal Agency Agreement, dated as of October 1, 1992 (the Fiscal Agency Agreement), between the Company and Citibunk, N.A., as Fiscal Agent, Principal Paying Agent, Transfer Agent and Registrar. The information contained in this Statement in given for both the Period covered by this Statement to and for the period from October 20, 1992, the date of issuance of the Notes (the "Issue Date"), through the end of the Period covered by this Statement. This Statement is accompanied by a descriptive report can be obtained by and status of Eligible Films. Copies of such descriptive report can be obtained by and status of Eligible Films. Copies of such descriptive report can be obtained by and eliciphose number: Cithank, N.A., 120 Wall Street, New York, New York 100G; Attention: Copporate Trust Department; telephone (212) 412-6215. If this Statement is an Artsual Statement, it is also accompanied by a Supplemental Hall Report of the Company's independent public accountants. In this statement, to the statement of Tare to United States dollars. ment at an Aristini Semement, it is also accor Report of the Company's independent publi references to "I" are to United States dollars.

From the Issue Date through and of Period:

A Mupper Christmas Carol A Mapper Consumes Calculate Constant Cons What's Love Got Yo Do

Pross the lease Date through and of Parios:

\$437,345,000

b. From the losse Date through and of Pariod: N/A. For the Pariod

2400,000,000 4. The Portfolio Amount ... Aggregate Domestic Theetrical R of Eligible Films in the Purticilo*. \$12,132,005 6. Calculation of Contingent interest: _ 120704500B (31,210,474) 8.917.279) (114,618,17) (1,521,555) Stort Subject Revenues \$306.767.308 Eligible Film Reven renerinten Base Amount 7. Contingent interest paid per \$1,000 precipal amount of Notes

Decrease: Theerical Partials of Sightie Films in the Postello are adjusted on a pro with business the same electron as Eligible Film Revenues are promised pursuant to the Notes.

Actual Third Party Participation Payaments are used with respect to the Finel Interest Payament. Supplemental Interest Provisional Interest If this Statement is an Annual Statement, the Company has indicated below whether any default by the Company in the performance and observance of its obligations under the Notes or the Fiscal Agency Agreement has occurred and/or

No Default

Yes; Description:

The Walt Disney Company

SAISON GROUP PARCO CO., LTD. (the "Company")

Warrands to subscribe up to ¥13,885,000,000 for shares of country Pursuant to Chause 4(C) of the Instrument of 11th April, 1991 relating to the

Varrants, it is notified to you that: The Board of Directors of the Company, at its meetings held on 19th and 36th July, 1994, resolved to issue and offer ¥10,000,000,000 5/8 per cent. Convenible Bonds due 1999 with the initial conversion price of ¥1,374 per share.

The current market price of shares as calculated pursuant to the relevant provisions of the aforesaid Instrument during the 30 trading day period from and including 12th May, 1763 to and including 28th June, 1868 was ¥1,380.70. 2. The aforesaid issue resulted in adjustment to the Subscription Price of the THE REAL PROPERTY.

Subscription Price before adjustment: Subscription Price after adjust ¥2,101,30 The aforesaid adjustment will take effect as from 11th August, 1994, Japan tone.

MANDO CO., LTD.

By: Dai-Ichi Kangyo Trust Company of New York,

î Sth August, 🗺



European Investment Bank NLG 500,000,000

Floating Rate Bonds 1992 due May 15, 2002 In accordance with the Terms and Conditions of the Bonds, notice is hereby given that for the Interest Period from August 15, 1994 to November 15, 1994 the Interest Rate has een 4.40 per cent. The Manual Amounts, payable Movember 15, 1994, will be:

for the denomination of NLG 10,000: NLG 112.44 for the denomination of NLG 100,000: NLG 1,124.44 for the denomination of NLG 1,000,000: NLG 11,244.44 Rabobank Nederland

Utrecht, the Netherlands

August 15, 1994

The United Mexican States Floating Rate

Notes Due WM

The applicable care of interest for the period August 12, 1994, through and including February III, 1995, to be paid on February II, 1995, a period of DG days, a 6, 195%. This rate II 15/10% above the offered rate for six-month deposits II US Dellars which appeared on the daplay designated as the British Bankets Autochand's Interest II manual. Rate [Interest] as quoted on the Door Jones / tor as Telegate Screen No. 5750 as at \$150 A.M. (Loudon Time:) --Appen 10, little

The above rase exponent to an intermed payment of USD 31.473694 per USD 1,010,00 in protected in the second of USD 1,010,00 in protected in the second of



August 10, 1994

Banco Nacional de Mexico, NY

O 130+ sphings applications O PT DATA FROM \$19 A DAY STRAIN SOFTWARE GUIDE CONTINUE TO 22 44 + (9) 71 221 June



HINANCIAL TIMES THIS WEEK





be limits to much worry can expend 9.0 something regard as a 🚃 tainty. That is, however, not a

principle which the US markets be recognising

Despite rallying m Friday, the bond market remains nerwill use Tuesday's meeting of the open market committee to short-term interest rates fifth time since February. The market's wirtually scuppered Thursday's \$40bn auction of 30-year bonds. But both bond and equity markets have now put limente into no no win frame of mind, where which Fed might adopt will VIII.

True, some harding is justified by the that successive of economic alternate in suggesting strength in the economy. Thursday's retail prices, excluding sales, rising by 0.4 cent, slightly faster than Wall Street's expectations, but Friday's consumer price index figures then showed a smaller 📭 than analysts expected.

nearment that this pot-pourri of dea will eventually throw up There should enough signs in capacity conby him to prompt the Fed into raising rates. That is probably right, given Fed touchiness III 🔤 charge that they left rates we low for too long last read and last anecdotal evidence from the Fed's own survey of its 12 banks which suggests labour shortages and minimal spending.

The bond market II now virtually discounting ■ 50-point rise this week. Perversely, if that slump on that enough, and the market might continue M assume a further rise by autumn. bond market's jitters

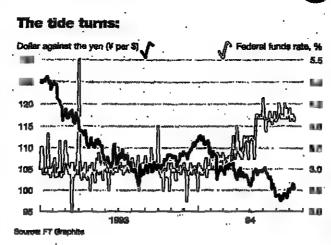
are not calmed, it will be hard there is 50-point rise, equities may well it badly; despite the strength of manual quarter corporate earnings, remain that the recovery in fragile and in it profits could falter just 📖 meeting unlikely in the quick solution to that

Takeover flurry

Among with running for fretting, Wall Imm analysts have found that a rate rise

Global Investor / Bronwen Maddox in New York

Protesting too much



could undermine in current wave of takeovers, particularly ening of the dollar. A prog of cross-border acquisitions published last by international accountancy consultancy firm, it would not.

The striking land of the report, a quarterly worldacquisitions, le

that it confirms Wall Street's impression that much of the impetus behind current take overs is overseas capital.

according to will months, companies spent acquisitions, joint in the US to the US companies spent

This the pattern the past two years, sen III "exports" of deal when III

Total return in local currency to 11/8/94

				wer period.		
	US	Japan	Germany	France	Italy	UK
Cash						
Trans.	0.08	0.04	0.08	E 20	0.16	0.09
Month	0.39		0.41	0.48	88.0	0.42
Year	3.56	3.03	6.00	5.94	8.56	5.56
Bonds 3-5 y	ear					
Week	-0.85	0.42	100	-0.98	-1.06	-0.00
Month	U 100	-1.24	-0.77	0.28	-1.11	0.40
Year	13,48	2.73	3.64	1.57	4.01	- Lane
7-10	year .					
Week	-1.36	-0.33	-1.94	-1.71	-2.48	-1.18
Month	1.10	-1.61	-1	- 1	10.00	100
Year -	-3.40	1.0	0.04	-1.74	0.09	-3.51
Eq • · · · s						
WCGG(0.2	0,5	1.4 .	-42.3	4.0	-0.2
Month			3.9		-1.6	10.0
Year	4.7	0.2	14.4	0.6	10.5	8.7
Source: Cash &	Sonda - Danie	iii Sictivets		Equities	O NatWest !	- PA
The FT-Acturacie	s World Indice	are joint	y owned by T	De Ekiscon	Times Limits	L .
-	A N	edivised III	Lington Lington			

capital outstripped imports. The switch Les occured despite the almus al IIs Japanese from the world's takeover party. According to KPMG, total value Japanese acquisitions investments outside Japan fell from Sobn in the first half of 1993 to \$1bn in the second half and IV III is the last

half of this year. There are obvious dangers in

all argue that people should be rewarded for increased pro-

ductivity. Can they all be

wrong? Yes, they can. Under Kenneth Clarke's pay

policy for the public sector, pay can rise only if financed by higher productivity. Now

British travelling public

finds itself deeply inconve-

nienced by arguments over

what this means, with the signalmen insisting that they

are owed money for having are owed money for having and maisting that they

This consensus that pay should be linked to productive ity is not a harmless cliché. It

Suppose an employer in powerful

Why should he pay

more merely because output

were to summon the courage

to lay off his redundant work-

ers, why should he have to

increase the pay of those who

stay? To do so is merely to

reward workers for creating

There is only one good rea-

son for a company to reward

higher productivity: if the increased pay is both incen-

tive and reward for more

effort. Otherwise, employers

should pay people as market conditions dictate. "Market,

plus motivation" is the right

slogan, not "more productiv-

ity, higher pay". Kind-hearted people will

object that il would be unfair

inefficient work practices.

working practices.

is a damaging mistake.

of the limit

tt;

industrial leaders do it; even striking signalmen do it. What do

they do? They

over-interpreting such surveys, given the lumpiness of the data, which a easily and by large dall But il KPMG report, which tracks all publicly-announced deals companies from different countries, numbering some to vear, does shed some light on

KPMG unsurprisingly and butes some of the inflow of forcapital the III

dollar's weakness. In that earnings we picking up, US companies look cheaper to foreign rivals than they have done for ____ The survey also suggests uncontroversially that the steady rise in the of acquisitions in the past few
- and in the frequency of
"mega-deals" - represents corporate confidence that the cap-

markets are willing again

rapid, deals. That confidence could if investors foreign exposure. Mark capital account figures that they might in June, there mas a net outflow of \$7.7bn long-term capital from Japan, including purchases of bonds by Japanese immediate.

But you do not need in the return of the Japanese to argue that high levels will continue. The that nearly third of all the in the past in months in particular, meaby value, with driven by in interior restructuring under way in the world's pharmaceutical, and incommunity interior

The figures also than an apparent paradox: the making below and an including the "Nasta" orders. In theory, I year's North American Trade Agreement, which lowered the US, und Canada, should reduce in need for a company to buy rivals were those borders in order to

its markets. Yet companies spent min on Nafta borders in the first half \$11.4bn | year, compared to

only \$2.5bn in 1991. Mr Stephen Blum, ■ KPMG corporate finance director, that the activity repre-preliminary shuffing withe pack of mitters bird such as food and textiles in anticipation of the growth in trade which will follow from Nafta.

It also, he reflects the North American infrastructure" in industries such as telecoms. For instance. Nextel, La US a digital network through web of with in Canadian and Mexican compa-while Mexican companies have bought into groups north of the limit.

That amounts III complex picture lan 📥 bargain-hunting scramble, prompted by dollar's weakthe milich was like portrayed. It suggests too wall takeover advisers little in fear from the and the week. Quarterly analysis of cross-border transactions,

Testing time for coffee market

Traders in London will for the opening of mile futures market like morning as it will be the first opportunity in sent to a report by K U Department M Agriculture assessing the man Manage in the man Brazil-

The USDA report released with the close of the London and New York on Friday. It estimated that vear's Brazilian crop will reach 17m 20m - I figure well within

NEW ISSUE

at London Commodity Exchange week had be challs and littery as in marlost assisted the macross of the

USDA report.
But brokers had expected the report to be an optimistic damage and for the reapushed prices downwards

By close of trading on Fri-day, the November futures conlower than it had less all before at \$3.273 | tonne.

reports of the front damage. Meanwhile, trade will be

keeping a watch in Lonwhich, against all expectations, have been rising in LME reported that Make M a record 365,425 tonnes.

Unexpectedly large shipments from China we partly blame - the amount China Daily reported of land surged by per in his first half

nighted by the booming mar-Asia, but producers w deliver more in the LME.

Nevertheless, analysts regreen Seiffieb einem bemite prospects. 'Illian serious shortages d' commune (an ir (hunalitir material) low prices and forced many mines III close. This must soon have an impact m western producers of refined lead and they will have to cut supply, analysts suggest, even though demand remains robust.

10th August, 1994

This announcement appears as a matter of record only.



KAWASAKI HEAVY INDUSTRIES, LTD.

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ISSUE PRICE 100 PER CENT.

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IBJ International pic

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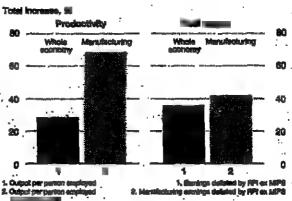
Sakura Finance International Limited

S.G. Warburg Securities

Economic Eye / Martin Wolf

Productivity and pay

Productivity and pay under the Tories (1979-93)



turing well behind increases in productivity, overall real wages have risen a little more than overall productivity and real wages in manufacturing have risen only a little faster than in the whole economy.

Sectoral productivity has, it turns out, not been linked

III reward workers in producing In fact, it would be quite unfair to do so. Output per person in UK manufacturing rose by almost 70 per cent between 1979 and 1993 (see chart). Ilir mail wages in manufacturing rose "only" 42 per cent. Meanwhile, output or in the less than 30 per cent, while

closely it sectoral may. Rightly so, since it would be ridiculous for the pay of electricians in motor-car plants to rise faster than that of those in hospitals. People of a given level of skill and motivation should be paid roughly the same, wherever they work. The alternative would indeed be unfair. It would also be nefficient, with the property ple employed in dynamic,

high-paying high-paying Companies appear to have ignored the nonsense about linking pay to productivity in each activity. Meanwhile, real earnings in the economy have risen roughly in line with overall productivity, as they should. So is there a problem? Unfortunately, limit in two.

LITAL TOELS DRAG DEED D increases in pay inequality in the UK, as in the US, during A recent report from the institute for Fiscal Studies notes that most of the increased inequality has reflected increased variability in the wages of people with similar education and experience." The likely explanation is that workers have shared in 🖿 "excess" profits 🖹 more dynamic companies, it the shareholders d

Second, swen if industryspecific productivity growth not, in the event, been by higher wages, the attempt w achieve this objective that higher inflation, higher unemployment, or both.

such companies, and their

Suppose dynamic their workers. profits with competition and bargaining pay indulyida will then induce employers in dynamic modiles foot to pay more and to employ fewer people. If governments respond in

higher unemployment with monetary laxity, an inflationary spiral will ensue. If they respond to rprices with deflation, it result will rising unemployment. This will only when the control of the unemployed the control of the c

ini undue mi in real In the long run, overall labour-productivity growth without there being morolita collapse. company-specific productivity bargaining push up all real wages, productivity growth all tend # 75. productive workers w pushed we the labour force and capital-intensive techniques are The of productivity growth then be too fast, fact shown

in rising unemployment. That is precisely what has happening in the UI ity has her marin in response b in real wages. Real wages are risen too last partly be pay more have felt abliged to so, while the laggards in w

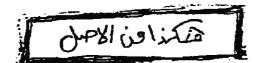
compelled to make the One answer is pay co-ordination with a "going rate" in real wages consistent with full employment. The Margarith a truly competitive market. Employers would more than needed in keep mal motivate them. They would not lay if minima of minima and then pur had who remain mum just they was more "productive" They would, instead, lay off redundant workers and refuse u pay those will remain any Thereupon, it was berrar profitable la la la

employ de people. British employers have, in short, had to grind the of their workers. They in been is soft, at il any □ unemployed.

wages? Commentary (London: for 1994).

FT-ACTUARIES WORLD INDICES

REGIONAL MARKETS	-150	54 -		AY AUG	UST illi 1				T	HURSDAY	AUGUS	F 11 199	-	00	LLAR IN	Die
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he World Index (2170)	177,69	6.5	170.51	11244	143,88	151.16	100	2.23	177.08	171.28	100.00	140 40				
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EMERGING MARKETS: This Week

The Emerging Investor / Damian Fraser

Election clouds Mexican market

In a year remarkably short of Pelosky of Morgan Stanley III good news, investing in Mexico's stock market expect a change of luck next Sunday. They are betting heavily that Mr Ernesto Zedillo of the governing party will win the presi-dential election, and his triumph will be widely recognised as legitimate.

Since July 20 the main index has surged by 19.8 per cent. with investors picking up stocks whose values had been depressed by pre-electoral nerves. The market has now recovered all of its peso losses of the year, although it is still down in dollar terms

The gains have been so impressive that some reckon that a Zedillo victory has now been fully discounted and that if it occurs investors will take

"After the build-up to the election, there could be a vacuum after a Zedillo victory," Mr Robert J 17.66 per cent on July 20.

HEW IOTE.	ma
committing war	гis
money to the market, investors	lor
may wait to see how the post-	inc
electoral situation Mr	ear
Climitémes Cénéras es Al-A	42.

left-wing Party of Democratic Revolution has promised massive civil protests if there is electoral fraud, and with a devoted following of about 2m supporters, some fear he is a threat to political stability. There is a final hundle -

will the election be credible and accepted?" says Mr Jorge Mariscal of Goldman Sachs. "If that is cleared then there is a basis for very strong capital inflows."

Such inflows, if they materialise, should help reduce domestic interest rates, perhaps to as low as 11 to 12 per cent by the end of the year, Short-term interest rates fell last week to 15.15 per cent from

Ten best performing stocks							
Dispoli	Country	5/8/94 \$ cless	Week on wee	k change			
Arcellik	Turkey	0.4890	0.1142	30.47			
Alakro Holdings	Turkey	0.9139	0.2121	30.23			
Bagfas	Turkey	0.2501	0.0555	28.55			
Eregli Demir Ve Celik	Turkey	0.1958	0.0425	27.76			
Brisa .	Turkey	0.1924	0.0329	20.63			
Grupo Ind. Minera Medoo	Mexico	3.6803	0.5794	18.68			
Eczecibesi lac	Turkey	0.0948	0.0117	14.06			
Koc Holding	Turkey	0.8979	0.1004	12.59			
Yapi ve Kredi Bankasi	Turkey	0.1347	0.0151	12.59			
IG Summit	Philippines	0.4190	0.0440	11.75			

A further cloud over the arket is the possibility of a se in US interest rates or ng-term bond yields. The crease in US interest rates rlier this year contributed to the sharp fall in the local equity market. If international investors turned against

emerging markets again, Mexico would likely be the m suffer. Higher US interest rates could lead to speculation against the peso, depending on the post-electoral situation. In spite of low economic growth, Mexico is expected to run a

current account deficit

Some economists believe that the government may decide in the post-electoral period to accelerate the maximum rate of devaluation of the peso against the dollar, from the current 5 per cent a year to as much as 10 per cent, in an effort to make the peso mora competitive over the long-term.

The recent increases in the market have not been all election-based. Second quarter results turned out to be better than many expected. Baring Securities calculates that operating profits of the 42 companies it tracks grew by an average of 16 per cent in the second quarter against 12 per cent in the first quarter. Real sales were up by 8 per cent in the second quarter against 6 per cent in the first quarter.

IPC Index - 3,000

The good second quarter numbers and growth of 3.1 per cent in industrial production in May have been taken as evidence that the long-awaited economic recovery is proving stronger than expected. Mexico's economy grew by just 0.5 per cent in the first quarter. But encouraged by the new fig-ures for industrial production, Mr Pedro Aspe, Mexico's finance minister, reckons the

economy will grow between 2 and 3 per cent this year.
While the good economic figares have been helpful, the election has been uppermost in investor minds. In the view of many, Mr Zedillo offers the best chance of political stability and a continuation of the pro-market economic policies that have characterised the ency of Mr Carlos Salinas. Many fear that a victory

by the opposition would bring a new and untried team to government, which would find it difficult to govern a country one-party rule for 65 years.

Mr Roberto Hernandez, the head of Banamex, Mexico's largest bank, caught the prevailing mood when he recently said that Mr Zedillo was the only candidate who could assure stability and bring interest rates down. Lower interest rates are expec

to benefit above all Mexico's banks, which been saddled with many nonperforming loans as small and medium-sized companies have been unable to meet growing debt-service payments.

The three largest banks are trading at an average of 10.3 times 1995 expected earnings compared to a market multiple of 13.3, according to Baring Securities, with some analysts narrow down and loan-growth picks up. Infrastructure and construc-

tion stocks are tipped by others as likely winners under a Zedillo presidency. These sechave grown faster than of increased govern ment investment, but should length from lower minust rates. Mr has promised 25 per cent increase in infrastructure if which should give them an additional boost.

Philip Gawith

India

Bombay's stock exchange closed at an all-time closing high on Friday, and many analysts expect the rally to continue this week. The market was encouraged by an extension of the settlement period, the recent spate of positive company results and the good monsoon rains.

Foreign & Colonial Emerging Markets in London comme that fundamentals continued to look good, helped by lower reported inflation, even though the figure remained over 10 per cent - "The government has announced further increases in foreign exchange reserves and the finance minister has announced plans to make the rupee fully convertible on the current account by

Kuala Lumpur

September".

Thirty-five I companies operating in Malaysia want to make public offers of their shares, according to a survey by the Japanese Chamber of Trade

and Industry in Malaysia. The survey of 150 compar conducted in March and April this year found that two were making preparations for a public offer, eight said that they had scheduled an offering, and 25 want to go public in the future.

South Africa

Johannesburg's stock deregulate the market last week. The measures include a timetable for removing those barriers which have prevented

Baring Securities emerging markets indices

News round-up

banks and foreign companies from owning local brokers. The JSR, which ranks as the 11th largest stock market in the world as measured by market capitalisation, will be restructured to "meet the needs of the new South Africa", said Mr Roy Anderson,

the president of the exchange. Banks and foreign companies will be able to take a 30 per cent stake in local brokers as soon as legislative amendments have been passed by parliament, In full ownership to be permitted 12 months later

The South African Council of Banks has said that it will continue investigations into prospects for a rival stock exchange, although it was open to further talks with the Johannesburg Stock Exchange.

■ Hong Kong

Thai market equity funds were the top performers among Hong Kong-run funds for the fourth consecutive month in July, seeing an annualised return of 71.2 per cent last month, the Hong Kong Investment Funds Association has said. Singapore and Malaysian equity funds came in second at 42.08 per cent,

followed by (excluding Japan but including Hong Kong) equity which reported 38.05 per cent.

Taipei

The Bureau of Monetary Affairs has said that it has eased limits on the number and location of foreign bank branches, agencies report. The bureau, which is part of the finance ministry, unveiled amendments to regulations governing the establishment of foreign bank branches and representatives, making

easier for foreign banks join banking Foreign banks are currently allowed to open a maximum of three branches a year either in Taipei or the southern city of

Cairo

Egypt plans to sell off four more public-sector companies employees and the public by The shares to be sold would be worth a total of

Imerging markets coverage appears daily on the World Stock Markets page

Markets on interest rate alert

Markets will be on an interest wake-up call last week from the Swedish and Italian central

CURRENCIES

The combination Bundesbank council meeting again on Thursday, after a four week recess, the FOMC meeting tomorrow, and nervousness in European makes for a potentially busy

The balance of opinion in the market favours a lighten policy from the Fed, while rate moves from the Bundesbank are not ruled out, nor

quiet, range-bound summer trading, Thursday and Friday last week were two of the busiest trading days for some time. Traders are expecting a continnation of more active trading conditions this week, though trade may be more muted today with most European

markets closed for the Assumption Day holiday. The initial focus will be on the lira and Swedish krone, both of which were under speculative pressure last week as the market gave the thumbsdown to higher rates. Most other currencies were also wilt-

After a protracted spell of clary and of a man a safety among concerned investors, and an economic recovery whose vigour continues sur-

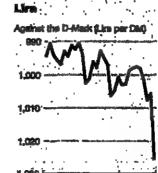
While analysts agree that raising rates in order to defend the currency is likely to be folly, they also stress that a repeat of 1992-93 ERM tensions is unlikely. Then the markets judged that governments the will impose high rates on mired in recession.

Now that economic growth has re-appeared, raising rates is less problematic. The wider ERM bands also makes curren-

While many analysts still expect the Bundesbank to lower interest rates once more, it may choose to wait until it has seen the latest M3 figures. which are due for release at the end of the week.

In favour of an early move. however, is that the Bundes bank will probably not want to adjust rates in the month preceding the federal elections in October. The firmness of the D-Mark also strengthens the central bank's hand

The odds of the Fed lifting interest rates would seem to be better. But with the D-Mark strong and President Clinton's



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prije och Pleb.	Manage	43,2860	27.956		27.9896	Marithdress & cost Feb	6.2580	5.3378	3,4312		Turnetu (Australia: St	2.0843	1,3475	0.8882	
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		E 0.477	3.3899	2.1791	3,3904		4.1788	24917	5,7767	2,7021	Uniquey Tal Uniquey(1)	7.9242		100	E.12
rpt Selvedor	(Egyptino C)	5.2433 19.6424	8.7558	5.6263	3.3904 8.7588	Montenest (E Carl S) Morocco (Dirham)	13,7482	8.8887	500	6.8898	(Metu)	175,5448	0.100	72.9582	113.5
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100	(Fack 1)	1.00	0.5485	0.44	6.1714	Napel Pupes Nertwisted Guider) N'ma Aradhay (A/Guider)		1,7474	1.1574	1.7913	Western Take	3,9084	2,5200	1.6243	
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	€9 5	2.5466	1,4544	3.3271	1,4545 8,1785	New Zestand (NZ S) Nicaragua (Gold Cordoba)	2,5748	6.805	LANGE	6.8059	Yemen (Rep of Piet)	88.30e(3)	57,0992	38.5983	
te dand	- Administrati	6.200	U.1700	3.4312	8,1763	Nicaragua (Gold Cordoba)	825.60	0.00	343,126	533,651	(New Direct)(1)	0.6884(2)		0.2861	0.44
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	(CFP Pr)	147.50	533,782	343,128	533,851	Common (Rick Common)	0.5956	0.385	0.2475	0.3551	Zimbabwe 👸	12.4435	8.0461	5.1716	
Pecific is	CFAFO														

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FT Surveys

NEW YORK

WORLD BOND MARKETS: This Week

Peter Norman

20 .25

Benchmark yield curve (%)"

retail sales figures expected to

provide further evidence of steady growth with low

Mr Simon Briscoe of

S. G. Warburg believes the market could be thinking

about funding questions by the end of the week. He predicts a

positive reaction if the Bank of

and decides against an

August gilts auction, as this

sector borrowing requireme

some DM110hn of net public-

sector borrowing outstanding. This week alone will see new

auctions in Italy and Sweden.

ronment you have to be reac-

tive - don't try to second-guess

the market," advises Mr Bob

Tyley, senior strategist at Pari-

has Capital Markets, "Investors

should let the market calm

down and then decide what

Until then, some may wish

to keep some of their funds in

cash until the outlook clears;

indeed, investors whose prior-

ity has become capital preser-

vation land land up

holdings recent

Many bond managers cer-

tainly appear to be playing safe. "We're keeping very cau-

tious in this environment and

are pursuing a defensive strat-

egy." says Mr Heinz Fesser,

offers value."

would suggest the public

poses few problems.

9.00

7.00

6.00

500

"All yields are to

inflation.

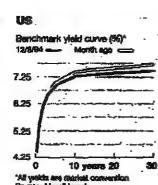
Encouraging showing that the consumer price index rose by only 💷 🚃 cent 🔤 month eased inflationary in the **W** at the end of last

week, giving bonds an unexpected shot in the arm. The benchmark 30-year Treasury bond shot up by nearly points, sending the yield down from Thi per

to 7.49 per Nevertheless, the market remains convinced that increase in interest almost when the Federal Open Market Committee meets tomorrow.

The reason is that, whatever the consumer price index may other economic continue to point to inflationary pressures further

back in the supply chain. Many analysts believe that the Federal Reserve will feel compelled to choke these pressures off before they feed through into rising prices. How big the increase will be is another matter. Some analysts seem to think that 25



Richard Tomkins

basis points will be enough: but paradoxically, a 50 basis point rise might prove better for bonds, at least ■ the long end of the market.

Normally, higher interest rates cause bond prices to fall, but in this instance anything less than a 50 basis point increase might he seen as insufficient to ensure that inflation had been stifled, posing the threat of even higher interest rates

The gilts market is facing this week in far better fettle than

LONDON

many analysts thought possible in the aftermath of last Thursday's Italian and Swedish interest rate rises. A comparatively robust performance last Friday brought out buyers and there is general belief that this week's crop of economic figures should sound no serious inflationary alarms The market is more optimistic in spite of a rise in 10-year benchmark bonds yields to 8.64

per cent late on Friday from 8.4 per cent the week before. Mr Nigel Richardson, of Yamalchi International in London, expects the week to be split into two. The first half will be vershadowed by fears of

Domestic issues will then take over, with Wednesday's retail price and average earnings data and Thursday's

higher US rates from

Federal Open Market

comorrow's meeting of the

FRANKFURT

The Riksbank's instification of its surprise rates rise with a claim that it had spotted four inflationary factors prompted a swift review in Germany. A weakening currency, cited by the Swedes, is not a problem in the federal republic.

Nor is the speedy global recovery causing concern. Dearer imports have slowed the fall in German consume prices, but other factors, such as shrunken disposable incomes, are keeping in all on under control.

On the other hand, the Rikshank's identification of rising capacity utilisation in industry rang some hells. As Mr Adolf Rosenstock. economist at the Industrial Bank of Japan in Frankfurt, noted, this indicator is may soon over-step its long-term everage of 83 per cent.

With this and the turmound in unemployment in mind, he says the Bundesbank will have to stay on guard. The 🌃 Metall engineering union has already

7.25

Christopher Parkes

- 10 yrs .20

started making ominous noises about the need for a clear improvement in real pay. While Mr Rosenstock marked last Thursday in his diary as the day Europe's latest spell of monetary easing came to an end, there were still Bundesbank has further to go.

Optimists the central council will signal its with a return to variable rate repos at its first post-holiday meeting this Thursday.

Uncertainty in European bond markets and profit-taking by domestic institutions ahead of the September book closing are expected to weigh on Japanese government bonds this week.

TOKYO

The higher yen supported bond prices last week on hopes of dampening prospects of an economic recovery, but such expectations were dashed by government comments that the economy was gradually pulling out of a slump Overall activity may be

subdued as many investors are on their Obon holidays until mid-week. But traders say more banks are shifting their Japanese government bond portfolios into euroyen straight bond issues. The moves come the

year's fall in government bond prices has left many financial institutions with unrealised losses. A Tokyo Stock requires listed companies to release unrealised losses on securities portfolios if the figure is equal to or more

Benchmerk yield curve (%)*

Emiko Terazono

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3442

than mer cent of pre-tax or net profits.

Institutions reluctant to reveal their loss-making positions are switching into unlisted bonds from government bonds. There II a big switch going on supply and demand situation warious changing," says Mr Marshall Gittler, bond analyst Merrill Lynch in Tokyo. He in government bonds,

Capital & Credit / Conner Middelmann

Turning point in Europe's monetary cycle

the side of pessimism, but they were not prepared for what hit them last week: the start if the monetary tightening cycle in

Just oben II seemel that the had been discounted. Italy and Imalia mild their short-term rates, fuelling that littered nite and Europe would soon start rising amid stronger than expected manufaction growth.

beef inserters new lakes an almost unremitting pummeling: first by aggressive profit-taking after law year's sharp rally, have by earlier than expected Us monetary tightening, and now by the spectre of rising European

We make the transfer of rises, though they unique domestic circumstances, represent ill turning point in European interest cycle," says Mr Kit Juckes, international economist at S. G. Warburg Securi-"Against III" backdrop, bond market sentiment is likely deteriorate further

agenda for now." The markets'

"suggests prend bloody environment for bond in worldwide", Mr Marner, of strategy and more at Kleinwort Benson. unlikely in clear up

By Friday, La the German 10-year had jumped to 120 cent, then 1 5 per cent a resident

in the UK, which is further in county cycle and tipped as our of the new tightening candidates, II 10-year yield man to the rimi from 3:11 per mint. 10-year yield

whole percentage point from Friday, while Italy's 10-year yield rose 🖿 11.70 per cent, from 10.80 cent. All now on Bundesbank, which until recently had been widely expected iii cut iii 4.5 📺 iiiii

discount rate | least once

more. I before i Italian

Swedish how-

erman prospects.

July money supply growth still in double digits

mil inline little changed many had the Displements justification or a mile cut when it makes man the Later let im autumn, me

Delicie federal medical ENV further cramp the room manoeuvre la a central bal on preserving reputa-"We want uch min our w 14- intel 4-point discount

and the all bears and purin Germany Mr Juckes. I if key rate lowered again. do little in had markets. will regard as II anticipating inevitable 📶 in 🖼

In environment. will have to continue negotiating highly volatile markets, where sentiment coccasionally interrupted by violent bear

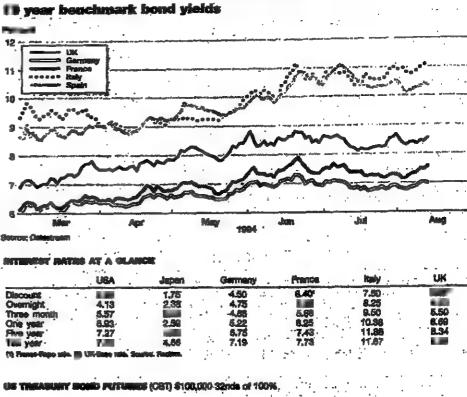
weigh on sentiment. Ger-Deutsche Bank's investment many, one of the laggards on the funding front, still has

This involves "being partly hedged in our foreign currency exposure, holding no extremely long-dated bonds and keeping a two- in five-year supply in France, a sale of five-year substantial percentage of our funds in cash." DWS has been notes in Germany and bond building up its cash holdings in recent months, he adds. In this context, some say it is best to lie low. "In this envi-

While the peripheral, high-yielding bond likely to remain volatile, many feel that German government bonds, traditionally a haven in times of market tur-moil, offer relative stability. "Bunds are the best of a had

bunch," Warburg's U. Juckes. While he says 10-year yields may spike 11 7.5 per cent, he expects other markets' yield spreads over Ger-many to widen out even further, making Germany a safe bet at least in relative terms. An even better strategy, he

ggests, may be to get out of Rurope altogether and head for the dollar bloc. "The advantage of bloc is that they're lunder through Un rate rim cycle in have dis-



	. Open	Selt price	200	High	Low	Est. vol.	Open Int.
Sep Dec	102-00	102-26	+0-23	102-31	101-23 100-29	-	855,125 79,863
Mer	100-09	101-00	10-22	101-13	100-09	370	M.M.

The Korea Pacific Trust International Depositary Receipts Evidencing Certificates in Tenant of 100 Units in the Trust

NOTICE IS HEREBY GIVEN to Unitholders that The Koree Paulic Truet, has declared a dividend in The Republic of Koree amounting to Won 1,100 per Certificate in respect of 100 units, payable on or after September 1, 1994. Payments of Coupon No 4 of the International Depositary Receipts will be much on or after September 1, 1994 against presentation of the Coupons to the Depositary or to one of the Depositary Agents fisted below:

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The amount of dollars payable in respect of Coupons presented to an Agent of the Depositary by the Close of Business on August 30, 1994 shall be the net proceeds of the sale of the amount ill Won for US dollars at the prevailing telegraphic transfer selling rate of US dollars for Won as quoted by a foreign exchange bank in Korea on the day on which the relevant transfer is will be in IDR in proportion to their respective emittement and after the deduction of all taxes and fees, charges, duber and expenses ill the Depositary.

All Certificate holders are required to submit the name and address in a bank in New York and in US dollar account number for payment, or an address for which payment should be sent by US dollar cheque.

All holders residing in a country having a double rearation treatly with The Republic of Korea may obtain payment at a lower rate of the Korean withholding in emitted the paysons of the Certificate of Incorporation, or, for individuals, a costy of their passions. These documents are requested by the Korean National Tax Administration Office as evidence of residence.

without such proof of residence, the full tax rate of 26 875 per cent. Korount withholding tax will be a suppositely or a Depositery Agent.

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Chase Manhattan Bank Lucembourg S.A.

Depositary

A\$25,000,000 Merrill Lynch & Co., inc. Inflation Indexed Notes Due 1996

In accordance with the provisions of the Notes, notice is hereby given, that for the interest Period from August 16, 1993 to August 16, The interest amount payable on the relevant interest payment date, August of the commination. and Note of William denomination.

The Chase Manhattan Bank, N.A. London, Fiscal Agent August 15,



DM 100,000,000

Bank \ustria

Z-Länderbank Bank Austria Aktiengesellschaft (incorporated with limited liability under the least of the Republic of Austria)

Fixed/Inverse Floating Rate Notes due 2000 Notice is hereby given that for the six months interest Period from August 15, 1994 to February 14, 1995 the Notes will carry an Interest Rate of 9.8125% per annum. The interest payable on the relevant payment February 14, 1995 will DM DM DE per DM DM denomination.

By: The E- Manhattan Sank, N.A. London, Agent Bank August 15,



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Guaranteed Floating Rate due L' (Coupan No.

Note conditions, is hereby given that for the interest period Mail August, 1994 to 15th February, 1995 (184 days). ilerest of 5.5125 per cent. per will apply. Amount per coupon (No. 📗 = U.S. 💹 🤝 Payable February, 1995



The Long-Term Credit Bank of Japan, Limited London Branch Agent Rank

International / Tracy Corrigan

Australian sector braced for rate rise

The Australian government bond market is braced for a rise in interest rates - but then, it has been for the last four months, at least. However, analysts argue that economic forces are now overwhelming any political pressure to delay raising rates.

So far, Ilm Australian authorities have been able to fend off pressure to raise rates because the Australian economy has been relatively slow to pull out of recession.
The Reserve Bank of Aus-

tralia has made it clear that it agrees with the need to increase interest rates," said Mr Michael Gallagher, director of research at IDEA, the market analysis specialist, "but has been concerned about relatively modest growth in busi-ness investment." In addition, high unemployment and a depressed property market have helped fend off rate

However, economic growth has now accelerated: in fact, at an estimated 4.5 per cent in 1994 it has overtaken the US. The latest employment data showed a jump of 90,000 jobs in July, compared with an average increase of 17,000 a month over the last six months, and a

drop in the unemployment rate to 9% per cent from 10 per rate hike towards the end of September," says Mr Paul Donanalyst UBS.
The Reserve Bank is not inde-

mized pressures. It will probably in reaction to hike." Because the Australian

dollar is closely tied to the US dollar, the Australian bond market tends to track the US market. However, density a media of brimes rate nim by the III authorities, the American government bond market am substantially underperformed the Section.

The yield differential between the two markets has widened from 80 basis points at the beginning of April to its current level of more than 200 besis points. The Australian market has

already discounted a series of rate increases. Overnight cash rates, set by the authorities, are currently 4% per cent while six-month bill received さに 神 田仏 So why is the manual so CONTRACT THE INTERIOR PROPERTY.

to 🖼 📖 inflationary 🌬 : have taken hold, try's preserved on inflation has undermined confidence in the bond market. Certainly, with inflation at

1.7 and 10-year bond yields at 9.5 per cent, the mar-tively high real yields – among the highest of the developer

cent, compared with only 33

per cent for Australia, accord-

Only Sweden and Canada offer higher real yields, but they both have high debt to GDP and of more than 67 per 1994

ing to data compiled by Swiss Bank Corporation. The high real yields for long-dated bonds in Australia suggest that the market is expect-ing inflation to rise sharply.

Indeed, factors such as the recovery in the housing market and increases in raw material prices could soon boost inflation, according to some analysts, while the strength of the Australian dollar, supported by strong commodity prices, imports.

However, according to anahysts SBC, wages remain the key to inflation and "there was few signs of any significant inflation pressures in the economy. The main concern is the legitimacy of the productivity offsets agreed between unions and businesses to support generally well above underlying inflation."

For bond investors, most analysts continue to caution, in spite of real yields relative to other MALE PURE

"Australia looks like . inst market and that is not going to change, but there is some room to outperform other markets, says Mr Donovan. "A rate hike could be supportive."

Australian bonds are largely held by domestic investors, but of the relatively small size of the market, marginal foreign interest can have

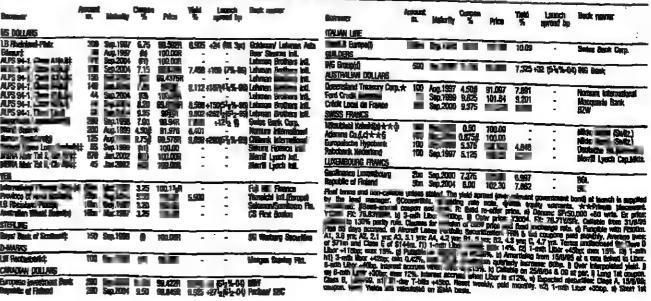
impact on prices.
One potential source life
Japan, where the yen imi led Japanese limitati m look again at the dollar bloc. However, with an Australian market virtually insisting on a rest risk will 10-year lend yields apparently heading towards double-digit levels,

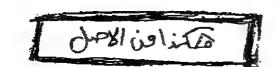
most investors are likely hold a while longer. danger II Unit they will instead New li-land market, which has performed well until recent political with

According in the second international investors favour New Zealand because of its highly independent central bank and the fact that it is an improving credit, even though 10-year yields, at 8.33 per cent, are substantially lower than in Australia.

The outlook for the New Zealand market largely depends on whether the political mun-tion stabilises after the weekend's Selwyn by election.

NEW INTERNATIONAL BOND ISSUES





Terry Byland

EQUITY MARKETS: This Week

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Source: FT Graphite

Wall St braced for another tightening

NEW YORK

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> All eyes this week will be on the Federal Reserve as Wall Street braces itself for another possible increase in interest rates.

> Ever since the Fed first raised interest rates in early February, the market has suffered attacks of nerves before each meeting of the central bank's policy-making open market committee (FOMC).

Tomorrow, the FOMC meets to decide whether there is a need for a further tightening of monetary policy to slow the economy and restrain inflation.

Wall Street's nerves will be on edge once again, primarily because interest have been increased four times this year, and few believe that more increases are not around the corner.

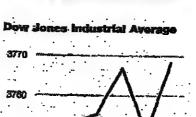
The stock market, now firmly entrenched in the midsummer doldrums, will be waiting with batted breath for the FOMC

Judging by the most recent economic data, the majority of analysts believe the FOMC will signal an increase in interest rates this week

If there is a broad consensus on Wall Street about the likelihood of a rate increase, there is still considerable debate over which interest rate it will

put up, and by how much. Some analysts, believing that the Fed remains cautious about stepping too hard on the brakes, predict that the FOMC will tighten policy by raising its target for the Federal funds rate by just 26 basis points, would take it to 4.5 per cent

Others, however, feel differently. In light of recent comments by the Fed's



Patrick Harverson

August 1994

chairman, Mr Alan Greenspan, the pessimists say the central bank is increasingly concerned about the autlook for inflation, and predict that it will not only raise the Fed funds target by 50 basis points, to 4.75 per cent, but will also raise the discount rate, from

3.5 per cent to I per cent. The size and nature of any tightening is critical because it will determine whether the financial markets, and the stock market in particular, will be able to ride out a rate increase without

Because expectations of a minimum there are have been building up on Wall Street for weeks, a 25 basis point upward move in the Fed funds rate is already priced into bonds and stocks. So, if the Fed does nudge rates higher, stock and bond prices should hold their

A 50 basis point increase, however, could unsettle shares, which have slavishly followed the lead set by bond prices for the past few months. If an unexpectedly large rate increase inflicts enough damage to investor sentiment. the Dow Jones Industrial Average which has climbed erratically from around 3,650 in early July to over 3,770 - faces the prospect of alipping back below the 3,700 level.

Differing views on market

influences

LONDON

The debate over the market influences of rising corporate earnings and dividends as against the probability of higher interest rates has now moved into closer focus. While the factors behind the moves last week to raise rates in Italy and Sweden may have been largely domestic, there was no gainsaying the warning delivered to the UK market.

Even after allowing for the widespread predictions III base rate rises already circulating among London market analysts, there has been a rush to reassess the situation. But, once the shock of the and Italian moves had passed, opinions on the UK market outlook were by no means as black as

might have been expected. The widely held perception that the UK market is particularly vulnerable because the UK is at the head II III queue for a rate increase may not be correct, according to Mr Albert Edwards at Kleinwort Benson that the lates of rate forecasts suggests that the threat of higher rates will be much more of ■ shock to continental

European markets than to London It has been suggested that UK equities may suffer less than mainland European shares, because of the relative ratings of the various equity UK markets have already enjoyed a year of rapid earnings growth, while continental European markets are still at a much earlier stage

S.G. Warburg touches the same point but stresses that growth in continental Europe is now accelerating and that

FT-SE-A All-Share index

August ***

this has brought "significant noward revisions" in gross domestic product For UK stocks, this throws even greater emphasis on those shares construction groups with interests in Germany, have already moved strongly against the trends of the UK market. However, their performance has in part

reflected optimism for one last easing in Bundesbank rates, and last week's interest rate developments may restrain them for while. Of the European-influenced builders, Redland, with 65 per cent of operating profits taken from mainland Europe, outperformed the market by 7.8 per cent over the past three months but its lead all but vanished last month. RMC, 68 per cent influenced by continent

but retains a 16.9 per cent autperformance over the 13 months. Top of Warburg's list Waste Management International, with 75 per cent of operating profits from continental Europe. On this basis, the share has been overlooked, lagging the market by 6.7 per cent over one month and 6.2 per cent over 12 months.

Europe, has followed a similar pattern

International offerings / John Ridding

Paris fine-tunes timing for Renault privatisation

As preparations for the concerning how much of its 80 privatisation of Renault gather momentum, share analysts and investors are running their rules were the French state-owned motor vehicle

For the most part, they like what they find. "It is an attractive company," Mr Mr Michelis, analyst at Kleinwort Benson in Paris. He predicts strong interest in shares in the only significant public sector in the western world.

Interest can be turned equity, however, there remain a number of important questions. I obvious in the timing any operation. The political sensitivity in the in the sale of Renault, a symbol of ownership and erstwhile union stronghold, manual that the French government in approaching the planned priva-

tisation with great caution. ministry acknowledge that the preparations are now in place for a privatisation this autumn, they say that no declhas yet been taken, and point out that Assurances Générales de France, the insurance group, is also prepared for

A second uncertainty ourcarns the scale of the operation. The centre-right ment has given little indication

per cent stake it is seeking M sell, except to say that it will not reduce its holding below a 34 minority blocking stake.

The retention do not be the tial stake by the French govis not welcomed by potential investors, "Ideally, it better for the investprivatisation," one fund manager. He says that a complete will of the holding ease that the government might still seek to influence

at the concerning, concerning, example, the protection of jobs and industrial alliances. For most in however the continued presence if the French government me Ma shareholder register does little dampen us streets of Renault's privatisation. This partly because of the fundamental strengths of the group, and also because of the present stage in the industry cycle. In terms of financial results,

the staged a turnround the mid-1980s, when a series of heavy earned II no tation as the sick man of the European industry. It was and of the few manufacturers to remain profitable during the recession in the sector over the past I and is

expected earnings reported by

Standard Asia's Hong Kong

operations last Wednesday

expected to report a sharp increase this on the net achieved in 1993.

A study by Lehman Brothers the emerging recovery in the market makes a Renault sale an attractive proposition this year. This, and Renault's diversification - unlike Volkswagen and Peugeot, it is builds trucks - prompts Lehmans to value the company at between FFr55bn and FFr60bn, many earlier estimates.

The ultimate valuation by the French government, and hence the price share attached to the will clearly the the of the investment. But the sensitivity of the sale, and the French ment's interest it gaining momentum in to sell 21 suggest an attractive price is

likely.
"With the presidential with harder tions looming and with harder privatisations to come, this has be a success," one analyst at Paris-based merchant bank. "They won't be any chances with the pricing. As in some of the previous privatisation issues, however the frustration for foreign

may be the limited tranche with the for which

OTHER MARKETS

FRANKFURT

Market professionals have been looking forward eagerly to the second-quarter reports from the "big three" chemical groups, with BASF kicking off on Thursday, and Bayer and Hoechst due next week. A Goldman Sachs report on the sector notes that BASF's first-quarter pre-tax profit was 47 per cent ahead of the year-earlier period, helped by 4 per cent volume growth. The evidence, it says, is that recovery momentum in the industry gathered pace in the second quarter.

On the same day, the Bundesbank holds its regular fortnightly meeting. For most

of last week, German and other banks were divided on the prospects for a further interest rate cut. After Thursday's rate rises in Sweden, and Italy, the question was whether other European countries would follow this lead: but Merrill Lynch said that the next German interest rate rise could be more than a year away.

STOCKHOLM

Shuddering after its own rate rises, Sweden should field half-year reports from Electrolux tomorrow, and Ericsson on Thursday. UBS reckons that, for the latter, analysts will focus on news of the order

For Electrolux, Unibors

Securities says the group's two main US competitors in the white goods manufacturing Whirlpool and Maytag. have respectively reported earnings up by 50 per cent, and operating profits up 📑 300 per cent for the first half of 1994. Unibors is looking for a 40 per cent growth in operating profit at Electrohix, and earnings to outpace this over the full year

due to greater production

MILAN

Initial dealings in Telecom Italia are expected to begin on Thursday. This is the successor company to Sip, Italcable, Telespazio, Iritel and SIRM, in the final phase of the

restructuring of the Italian belecoms sector. Sip shareholders get a one-for-one ahare exchange, but Mr Miller at Lehman Brothers says the creation of Telecom Italia will immediately enhance earnings per share

prospects.
Telecom Italia will be the world's sixth largest telecommunications company, with ■ turnover of L27,000bn and net profit of L1,025bn in

ZURICH

SBC joins the run of Swiss banking results tomorrow with analysts wondering what to expect, after the 68 per cent drop in trading income at its

competitor, UBS. Forecasts last week ranged from SF1545m to SFr950m, compared with SFr1.55bn for the first half of

The following day brings interims from CS Holding. Its principal operating subsidiary, Credit Suisse, has already reported a 27 per cent decline in gross profits before tax and provisions, notes Hoare Govett, which thinks that a net profit of SFr700m for the group, would be a reasonable result.

AMSTERDAM

Offerings here include first-half results from Necilloyd, the giobal transport group. Brokers expect profits for the

Fi 25m against a loss of Fi 30m in the second quarter of 1993.

second quarter to be around

HONG KONG

The Hong Kong stock market was bracing itself last week for a dose of bad news from today's release of interim results M HSBC Holdings, the biggest stock in the benchmark Hang Seng Index. HSBC itself fell 4.4 per cent over the full week, writes Louise Lucas in Hong Kong. Analysts are looking at

pre-tax profit rises of anywhere between 10 per cent and 20 per cent for the banking group, but there are fears that even the lowest projections may not be met following the lower than

TOKYO

With investors returning from their holidays around mid-week, brokers are expected to start active stock promotion campaigns, writes Emilio Terazono in Tolavo.

With trading vote depressed for the past few months, the salesman want to pick things up before the September book closing to boost profits," says Mr Yasuo Ueki at Nikko Securities.

The 21,000 level is likely to continue to be a technical resistance point. However, brokers say that many banks and financial institutions are already in their last stages of realising profits on their stock portfolios ahead of September 30, and expect profit-taking to

PARIS

Wednesday is the final day on which constant des man should decide whether to exercise its pre-emptive rights to acquire a majority stake in Fnac, the French music and book retailer which, otherwise. will see a controlling stake sold Crédit Lyonnals to Mr François Pinault, the entrepreneur.

Compiled by William Cochrane



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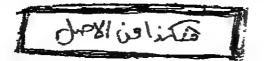
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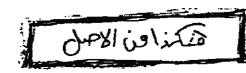
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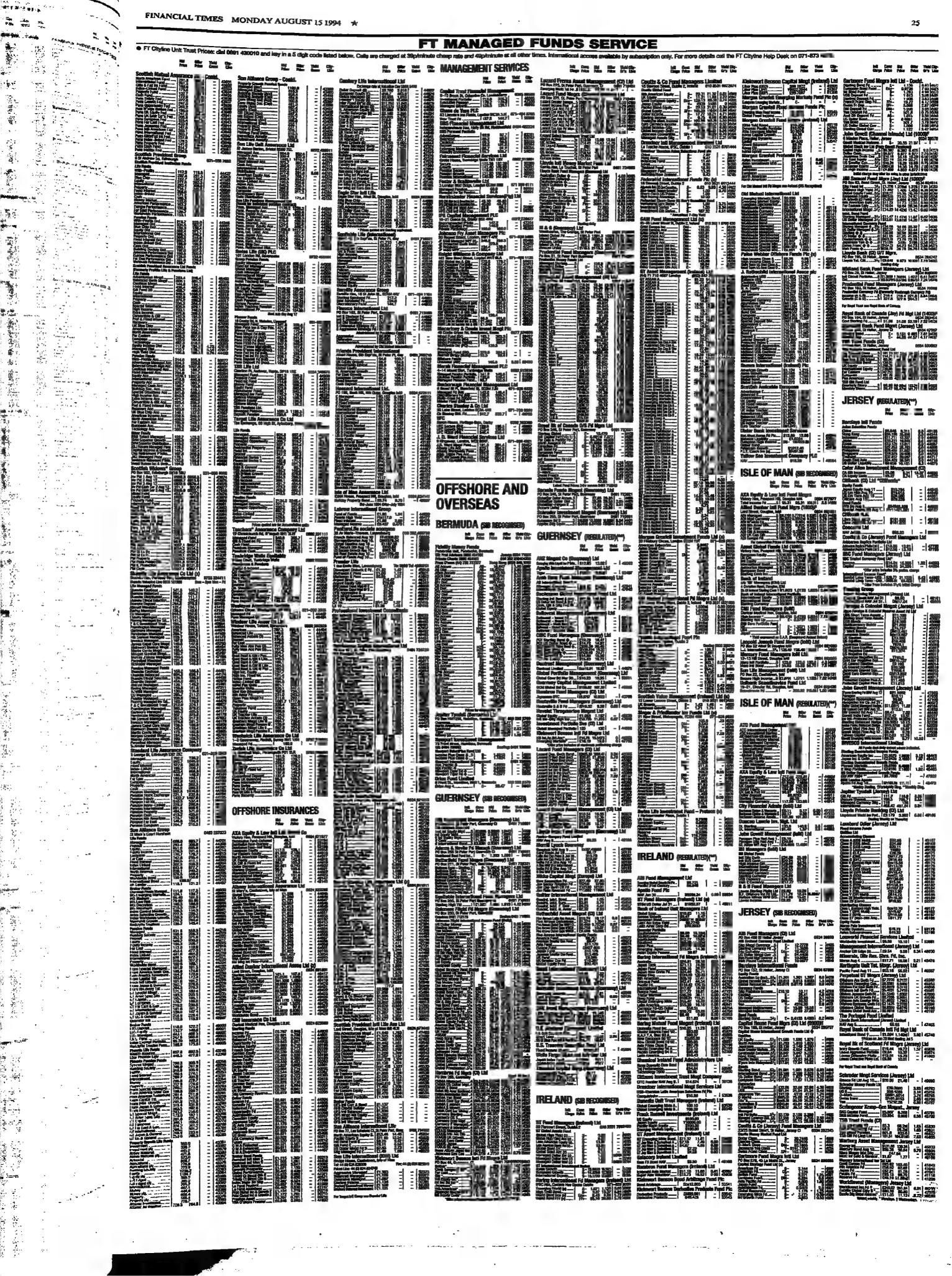
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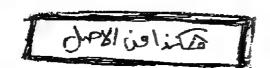
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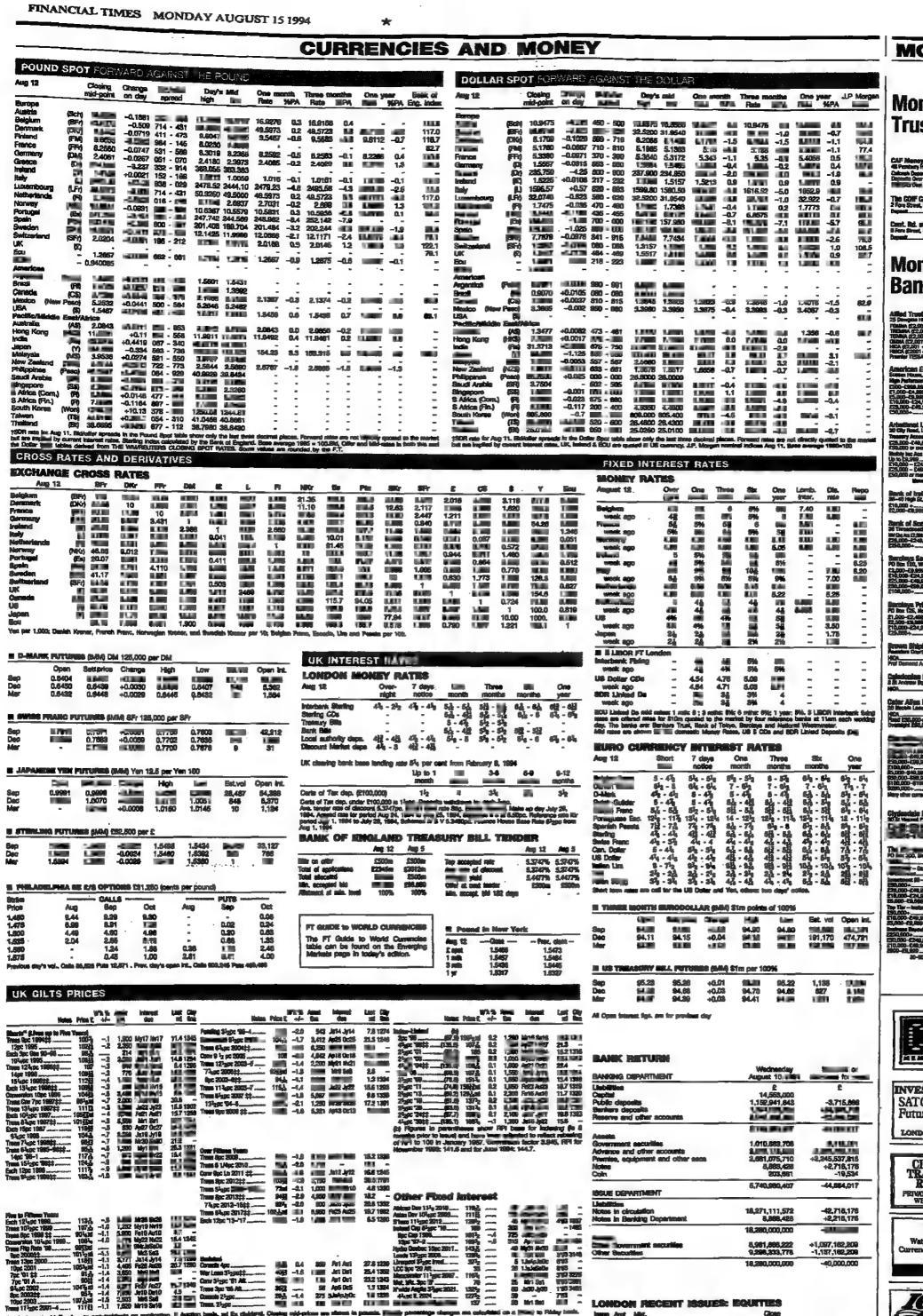
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Financial Times. Europe's Business Newspaper.

15

MONDAY

Japan's war memories



Emperor Akihito and Tomiichi Murayama, Japan's prime minister (left). attend a service in Tokyo marking the 49th anniversary of the end of the Second World War. Some 10

members of the Murayama cabinet may attend a more controversial ceremony at the capital's Yasukuni Shrine to pay homage to Japan's war dead - those buried there include war criminals. Last year, only five members of the government of Morihiro Hosokawa visited the shrine.

Gunter Rexrodt, is expected to present a positive analysis of the German economy. With two months before the federal elections, the governing coalition, now running nearly 8 points ahead of the opposition Social democrats and Greens in opinion polls, is keen to use encouraging economic indicators to help maintain its lead.

Pipeline talks open



Leaders from Russia, Turkey, Iran. Azerbaijan and Kazakhstan meet in Ashgabat to discuss the construction of a new gas pipeline to Europe. The existing pipeline does not have enough capacity to meet the export ambitions of Russia, Kazakhstan and Azerbaijan, the main energy producers in the former Soviet Union. Disputes between Russia and the two southern republics about access to the pipeline have worried western investors.

Trial in Albania: Five members of Omonia, an ethnic Greek political organisation in Albania, go on trial in the capital Tirana on charges of trea-son and espionage. Greece has threatened to veto European Union financial aid to Albania, claiming human rights abuses against the Greek minority.

Holidays: Austria, Belgium, Chile. Colombia, Croatia, Cyprus, France, parts of Germany, Greece, Labanon, Luxembourg, Malta, Panama, Poland, Portugal, Slovenia, Spain, Venezuela (Assumption).

Argentina, Costa Rica, India (Indeendence Day), Italy (Summer Bank Holiday), Paraguay, S Korea (Indepen-

16 TUESDAY

US rates poised to rise

The Federal Open Market Committee, which sets monetary policy for the Federal Reserve, is to meet in Washington. Most economists predict the Fed will decide to raise short term interest rates to head off what it sees as signs of incipient inflation.

Swedish inflation: The reasons for Sweden's surprise decision to lift interest rates last week may become clearer today when the country's July consumer price index is published.

The index, which rose from 1.8 per cent to 2.6 per cent between March and June, is expected to have continued its upward trend. The median expectation for July is 2.9 per cent.

Nigeria's high court in Abuja is to decide whether it can try Moshood Abiola, the banned winner of last year's annulled presidential election, for trea-

No decision about a prospective general strike by the Nigeria Labour Con-gress will be taken before the hearing, except in Lagos where opposition to the

military government is strongest. Oil workers' unions, however, say that they will stay on strike until the military hand over power to civilians.

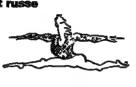
Sri Lanks holds a general election. It appears likely that the ruling United National party, which has governed the country for 17 years, will lose to the left-leaning People's Alliance, an eightparty coalition.

UK economy: The CBI distributive trades survey will be scanned for early indications of an upturn in official figures for July retail sales, due on Thurs-

Volume sales were unchanged between April and May, and up only 0.2 per cent in June.

However, recent consumer credit data and a strong CBI survey last month suggest that Britain's canny consumers were keen bargain-hunters in the summer sales.

Ballet russe



An international ballet competition devised in honour of the Russian ballerina Maya Plissetskaya begins in St Petersburg (to August 22).

Oz prey: The memoirs of Bob Hawke, the former Australian prime minister, are due to published.

Mr Hawke quit in late-1991 after a bitter leadership struggle with Paul Keating, the current PM, and the book is expected to provide insights into the Labor Party conflicts of that time.

WEDNESDAY

Palestine progresses



Shimon Peres, (left) Israel's foreign minister, will meet Nabil Shaath, senior Palestinian negotiator, in Cairo. They hope to speed implementation of the extension of Palestinian self-rule across

the West Bank. The two sides will also begin discussions on the holding of national Palestinian elections due in mid-December.

An agreement is near to transfer power in the Israeli-occupied West Bank from Israeli to Palestinian hands in five areas: education, health, direct taxation, tourism, and social welfare. Differences have emerged, however, about Jerusalem, the release of Pales-

tinian prisoners, and the timing of elec-

Global population: The United Nations Population Fund, based in New York, publishes the 1994 report on the State of the World's Population. The 65page report describes sharp falls in developing country birth rates during the past two decades, and advocates wider distribution of contraceptives and better education for women in developing countries. It is published only a month before the opening of the UN's conference on population in Cairo. The Vatican has censured the US government's support for contraception and its tolerance of homosexuality.

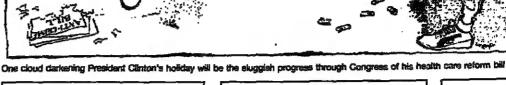


Lucerne's International Music Festival begins, with two concerts a day for more than three weeks (to Sep 10).

UK economy: Hopes are high that retail price inflation stayed subdued in July. Summer sales began later this year than last, which may offset adverse effects of less aggressive dis-counting. Economists are looking for a 0.2 per cent drop in the RPI between June and July, with the year-on-year rate unchanged at 2.6 per cent. The underlying rate, which excludes mortgage interest payments, may nurige higher from 2.4 per cent to 2.5 per cent, the middle of the government's target

Holidays: Indonesia (Independence

Statistics to be released this week



THURSDAY

Mandela to outline policy

18

South Africa's president Nelson Mandela addresses parliament on his 100th day in office. He is expected to flesh out the so-called Reconstruction and Development Programme, his government's plan for social investment in areas such as housing, electrification. education and health. The speech is an important public relations effort aimed at meeting the demands of blacks for government action on poverty.

israel and Jordan wind up their first substantive bilateral talks on trade, borders, water, tourism, finance and banking on the Israeli side of the Dead Sea. They are expected to announce progress on demarcation of the disputed border, sharing the waters of the Jordan and Yarmouk rivers, co-operation and joint marketing in tourism, steps to link the two countries' electricity grids, and transit of Jordanian goods through Israel's Mediterranean ports.

'A Level' results: Anxious UK parents and their teenage children will be put out of their misery with the ase of examination results that are vital for university entrance.

Cricket: England meet South Africa for the third test at the Oval, London. (to August 22). monwealth Games begin in

Victoria, British Columbia, Canada (to August 28). Hofidays: Bahrain, Lebanon.

19

HOW'S YOUR

HEALTH BILL ?

FRIDAY

Swedish poll manifesto out

Sweden's opposition Social Democrats, hot favourites to win next month's general election, present their manifesto with all eyes trained on their economic

With the fragile state of the economy dominating the campaign, the party is under pressure to detail how it will deal with the big budget deficit, fast-growing public debt, and rising interest So far, markets have been less than

enthusiastic about the Social Democratic emphasis on tax increases and unwillingness to be drawn on the need for deep cuts in the welfare state. UK economy: The forecast deterioration in the trade balance with

non-EU countries to a deficit of £600m in July, from £495m in June, should cause little concern. UK export volumes are rising, giving economists fewer worries about the

1994 current account outlook than

three months ago.

US president Bill Clinton turns 48, but he may not have much to celebrate unless Congress reverses its recent setback to the crime bill or acts to advance healthcare reform. Even his planned holiday on Martha's Vineyard in the run-up to the Labor Day holiday on September 5 threatens to be fraught with Washington-related distractions.

Holidays: Abu Dhabi, Afghanistan (Independence Day), Kuwait, Morocco,



TERESE SOF

WEEKEND

Mexican elections

Mexico goes to the polls on Sunday to elect a new president and Congress. Mr Ernesto Zedillo of the ruling Institutional Revolutionary Party is strong favourite to win the presidential race, while his party is expected to maintain its control over Congress. The opposi-tion and about 15,000 national and several international observers will be watching for fraud.

Alphach forum: Nine heads of state and the European Union Commission president, Jacques Delors, will hold an informal meeting on Sunday within the framework of the annual Alpbach forum in the Austrian Alps (to August 22). Topics will include questions of new neighbourly relations, security problems and cultural ties in the light of the forthcoming enlargement of the

Chess: The Lloyds Bank's annual tournament starts at the Cumberland Hotel, London (until 29 August). With more than 30 grandmasters competing. it is Britain's strongest-ever open-to-all chess event. Winners qualify for the £100,000 Intel Grand Prix and a chance to compete against Gary Kasparov and Nigel Short.

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Three Choirs Festival: Britain's oldest musical festival, going back to the early 18th century, begins at Hereford on Sunday.

Compiled by Patrick Stiles and Martin Mulligon, Fax: (+44) (0)71 878 3194.

Other economic news

Monday: US capacity utilisation figures could fuel speculation about higher rates if, as economists expect, there is only a marginal drop between June and July.

Wednesday: June average earnings and unit labour cost data form key points of interest in the UK's mid-month "super Wednesday" for economic releases. Consensus forecasts from MMS International point to unchanged wage inflation and a slight easing in the annual rate of unit wage cost inflation. July's unemployment figures are expected to show a further fall of about 18,000 last month.

Thursday: The Bundesbank council meets for the first time after its summer break. Few analysts expect a change in official interest rates.

Although UK markets are prepared for a rate rise later this year, the expected rise in retail sales in July should not trigger action, provided the picture is one of subdued inflation encouraging spending.

Analysts are not expecting

any shocks from UK broad money and bank and building society lending figures, which are forecast to show a modes slowdown in growth in July compared with June.

Day Pelcesoci	Country	Sconomic Statistic	Median Forecast	Previous Autusi
Mon	US	July industrial production	0.1%	0.5%
Aug 15	US	July capacity utilisation	53.8%	83,9%
	Japan	June Industrial production:	•	-1.2%
	Japan	June shipments†	-	-3.2%
Tues	US	July housing starts	1.38m	1.35ar
Aug 16	US	Johnson Reabook, w/e Aug 13	- ·	-0.7%
-	UK	July public sector borrowing req	£1.5bn	£2.9bn
	Canada	July lead indicator*†	0.5%	0.5%
Wed	UK	July retail price indx"	-0.2%	0.0%
Aug 17 UK UK UK UK UK	UK	July retail price Indx**	2.6%	2.6%
	UK	Ditto, ex-mortgaga int paymants*	2.5%	2.4%
	UK	July unamployment rate	-18,000	-18,800
	UK	June average earnings	3.75%	3.75%
	UK	June unit wage costs 3M**	1,5%	1.7%
	Canada	June manufacturing new orders*	1%	-1,4%
Thus	US	June trage: goods & services	-\$8.8bn	-\$9.2bn
L L	US	June merchandise trade (BOP)	-	-\$14.1bn
	US	June merchandise exports, census	\$41.7bn	\$41.3brt
	UŞ	June merchandise imports, census	\$53,8bn	\$54bn
	US	Initial claims, w/e Aug 13	325,000	321,000
	US	State benefits, w/e Aug 6	-	2.69m
	US	MZ. w/e Aug 8	-\$1.5bn	\$0.6bri
	Јарап	Jun overall pers consump/expend**	1.8%	-1.7%
	Japan	Ditto, workers only**	-	-2.1

Jul money supply (M2, cash dep)** 1.6%

Philippine C	Country	Statistic	Forecast	· Actual
	Japan	Aug whole'le price indx, 1st 10 days	-	-0,1%
	Japan	July broad liquidity"	-	3%
	UK	July retail sales"	0.3%	0.2%
	UK	July retail sales"	3.7%	3.3%
	UK	July 144"	0.4%	0.4%
	UK	July M4**	-5.5%	5.7%
	UK	July M4, lending"	22bri	£2.9bn
	υĸ	July bdg acty net new commitments	23.3bn	£3.6bc
	Canada	June merchandles exports*†	4%	-2.5%
	Canada	June merchandise imports";	-0.5%	6.2%
	Cenade	June wage settlement increases	0.5%	0.8%
Frie	US	July breasury budget	-\$33.2bn	\$15.2bn
Aug 19 France France UK Canada	France	June industrial production*j	0.3%	0.3%
	France	June manufacturing production";	0.3%	22%
	July trade blance, an-EC	-2600m	-2495m .	
	July consumer prices index.	0.2%	.0.2%	
	Canada	June retail sales"†	0.8%	1%
During ti	ne week			
	Germany	July wholesale price indx"	0.2%	0.8%
	Germany .	July producer prices indx*	0.1%	-0.1%
	Germany	July producer prices indic*	0.4%	0.4%
	Germany	M3 from 4th qtr base	10.4%	11.3%
	Germeny	WS.	0.3%	-0.1%
	N'ands	July unemployment rate	7.4%	7.2%

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heaven-sent (7)

3 One with little taste for embroidery (7)

14 Show indifference and rush off before midnight (5)

16 Bird will make a pound a ton or be put back on the ship (8)

19 She has the authority to use statements and strategems

statements and stratagems. it's said (9) Get cold at church (5)

20 Get cold at church (5)
22 Wager on small number in the middle (7)
25 Down to earth (ellow will do over at Los Angeles Univer-

27 Past eight? Cook some supper

28 Amenable to dropping the girl

sentences (7.7)

2 in great alarm, say your song of praise (9) 3 Reddish gold found in forty Urge head of committee to provide early transport (9) Perfumery is rooted in the

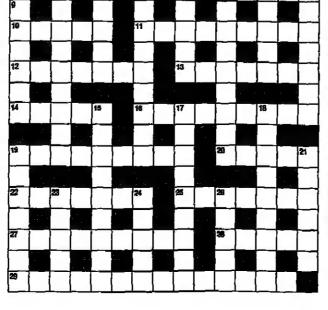
poor risk category (5) 6 Finding it painful to muscle 7 Carmen's in, we hear (5) 8 Sure to fail on final remains

Votes for es for putting the

tunate shortage of pellets (9) 17 First brandy, near, not on the rocks - just the ticket here! 18 Exceed thirty, possibly, but dismissed at the start (9) 19 Police officer on fundament

principle is capable of dual reaction (7) for walk (5) reaction (7)
29 How London landlords start 21 One who detests holding long rope (6) 23 Walkover for premier's skill

(5) 24 Some are given a talent at birth (5)
26 Unable to Stomach hot sing-



1.5%

MONDAY PRIZE CROSSWORD No.8,532 Set by ADAMANT

A prize of a Pelikan New Classic 390 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday August 25, marked Monday Crossword \$.532 on the envelope, to the Financial Times, 1 Southwark Bridge, London 8.532 on the envelope, to the Financial Tin SEI 9HL Solution on Monday August 29.

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Of broking and jobbing the Pelikan's tond, See how sweetly he puts your word onto bond. Selikan ()

JOTTER PAD